West Midlands Integrated Transport Authority (ITA) Pension Fund

Annual Report 2015

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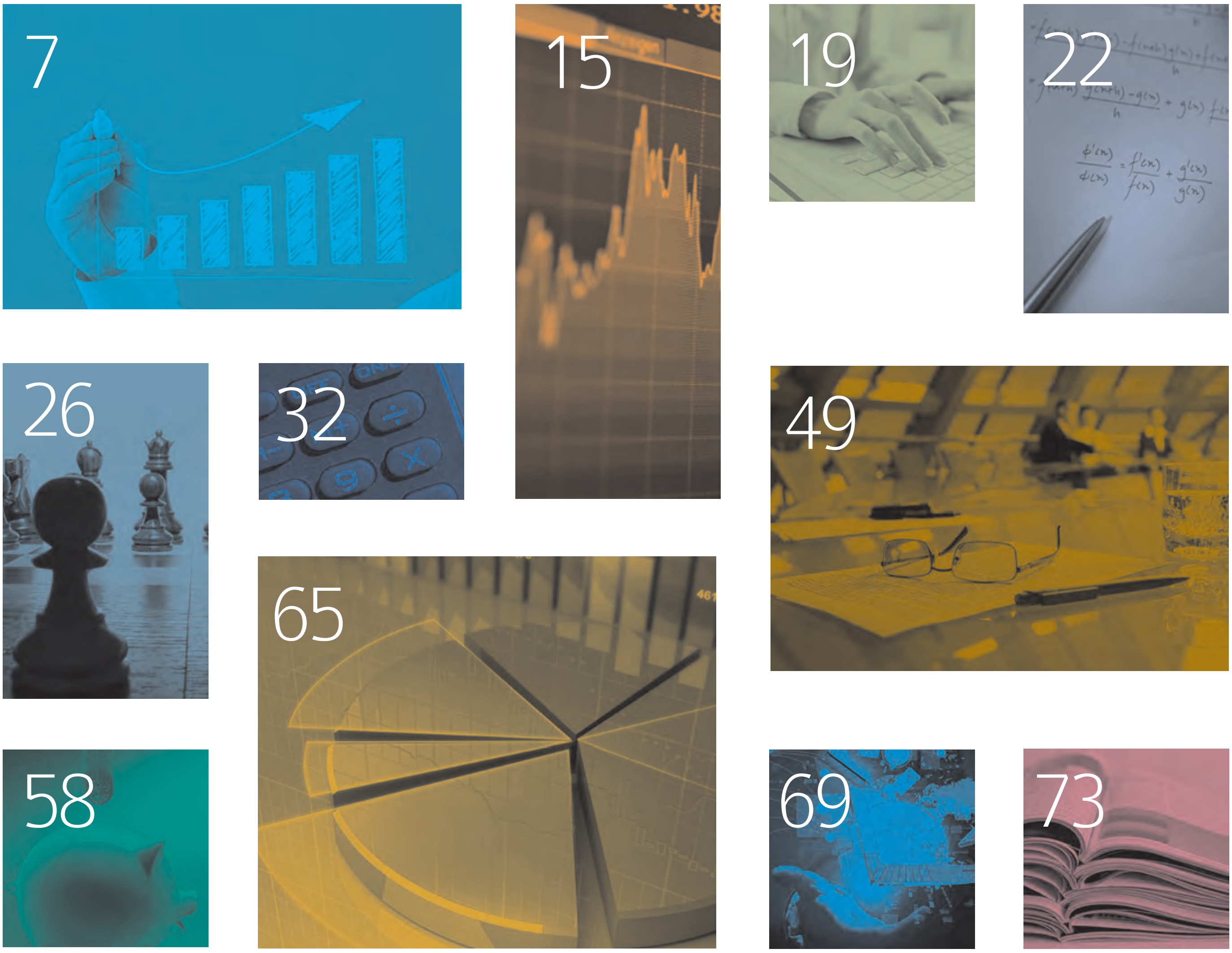
Contents



Introduction

Introduction from the Chair of the Pensions Committee and the Strategic Director of Pensions

Councillor Richard Worrall
Finance, Delivery and Performance Monitoring Committee

This has been a year of dramatic change for the Local Government Pension Scheme (LGPS). The year began with the biggest change in local government pensions for a generation: the switch to pensions being based on career-average salaries instead of final salaries. We had worked hard to prepare for this change during the preceding year, and that work paid off as – despite the need to make major changes to IT systems, to train staff and communicate the changes to members and employers, not to mention the added complexity of effectively operating four different benefit schemes – we were able to continue providing pensions to just under 3,800 pensioners and beneficiaries, and supporting another 1,400 active and deferred members to provide for their retirement.

The agenda of regulatory change has not let up during the year, with new governance arrangements being introduced for all public sector pension schemes. For the LGPS, this has meant the establishment of local pensions boards (with effect from April 2015), and a national Scheme Advisory Board. We are proud to have been a forerunner in establishing and recruiting our own local Pensions Board, and are pleased with the knowledgeable and committed individuals we have attracted to this important role.

Wider changes in the pensions industry also continue to impact upon us. The newly-introduced ability to access pension savings more flexibly from April 2015, including the ability to withdraw a cash lump-sum, could apply to members of our Fund. Whilst we believe that the LGPS offers an excellent means of providing for an income in retirement, and one that is not easy to match, we are mindful of, and planning for, any potential impact.

This has been a good year for our investments, with total returns amounting to 12.7%, compared to a benchmark return of 11.5%. Most of this outperformance was attributable to the diversified growth funds which returned 7.3% against a target of 4.3% for the 12-month period. Over the medium term, annualised returns have amounted to 8.3%, significantly ahead of both inflation and pay growth.

Ensuring a cost-efficient service is a key consideration for the Fund and, as ever, the Fund works to continually identify changes where it can make its business more efficient and customer-focused.

One of the key ways in which we are keeping administration costs down is through our focus on developing an electronic business model. During the year, we have continued to promote our online web portal for members, with registrations rising over the financial year. We have also redesigned and modernised our website, which has resulted in pleasing feedback from users, and next year we will be introducing automatic electronic compilation for remittance of contributions. We are grateful to all of our employers and members for embracing this medium of transacting.

Introduction

Geik Drever
Strategic Director of Pensions

Responsible investment sits at the heart of our approach to managing our members' funds, and we have further strengthened this with the recruitment of a Responsible Investment Officer this year. Where companies do not meet the high standards that we and fellow investors expect, we challenge them. We believe in an approach that combines four key elements: engagement through partnerships, active investing, voting and litigation.

We are a founder member and active participant of the Local Authority Pension Fund Forum, which is a significant and influential player in the responsible investment arena. Our Assistant Director of Investments also plays a crucial role on the Board of the United Nations Principles for Responsible Investment. In December 2014, we enhanced governance in this area, further still, by introducing a *Statement of Investment Beliefs*.

We were delighted to win the Local Government Chronicle Investment Award for Skills and Knowledge this year for our trustee training programme. We are also proud to have achieved and maintained Customer Service Excellence and Investors in People awards: two accreditations that unambiguously reflect our focus on providing a high quality service to our members and employers, and on investing in the skills and knowledge of our staff and trustees.

LGC Investment Awards 2014
WINNER
In association with F&C Investments

In general, this has been a good year for the Fund, which has seen us rise to the numerous challenges placed before us, and leaves us well-positioned to face the challenges of the future. There will be many such challenges, including the ongoing focus on the cost of the LGPS, further regulatory changes both to the LGPS and in the wider pensions industry, the impact of declining cashflow and market returns and, last but not least, the issue of the pensions deficit and the funding strategy to make good that deficit.

We would like to take this opportunity to thank the members of the Finance, Delivery and Performance Monitoring Committee for their work during the year, and whose advice, support and challenge have been invaluable. We would also like to extend our thanks to the Fund's staff, whose professionalism and dedication to the service of our members throughout a period of change has been unfaltering and truly impressive.

Councillor Richard Worrall
Chair of Finance, Delivery and Performance Monitoring Committee
Date: June 2015

Geik Drever
Strategic Director of Pensions
Date: June 2015

Explanatory Foreword

Explanatory Foreword and the Report of the Treasurer of the West Midlands Integrated Transport Authority Pension Fund

The following statements comprise the financial report for the West Midlands Integrated Transport Authority (ITA) Pension Fund (the Fund). The accounts cover the financial year from 1 April 2014 to 31 March 2015.

This report has been prepared in accordance with the revised Code of Practice on Local Authority Accounting in Great Britain published by the Chartered Institute of Public Finance and Accountancy.

The report is set out in the following order:

- **The Treasurer's Report** which gives general information on the background of the Fund, management and advisors and officers of the Fund, funding and benefits.
- **Management and Financial Performance** which summarises the Fund's risk arrangements, financial and administrative management performance.
- **Investment Policy and Performance** which summarises the Fund's investment management arrangements, portfolio and performance for the year.
- **Scheme Administration Report** which provides a summary of the Fund's administration activities for the year.
- **Actuarial Report** – This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme.
- **Governance Arrangements** which includes the *Governance Compliance Statement* including member training.
- **Statement of Accounts,** comprising:
  - **Statement of Responsibilities for the Fund Accounts** which sets out the respective responsibilities of the Authority and the Treasurer for the Fund Accounts.
  - **Fund Account** which discloses the size and character of financial additions to, withdrawals from and changes to the value of the Fund during the accounting period, analysed between contributions and benefits, and returns on investments.
  - **Net Assets Statement** which discloses the size and disposition of the net assets of the scheme at the end of the year.
  - **Notes to the Fund Accounts** which gives supporting details and analysis concerning the contents of the financial statements.
- **Pensions Administration Strategy**
- **Funding Strategy Statement**
- **Statement of Investment Principles**
- **Communications Policy Statement**
- **Further information:** *The Compliance Statement*, which gives the tax status of the scheme and pension increases during the year.

Explanatory Foreword

Explanatory Foreword and the Report of the Treasurer of the West Midlands Integrated Transport Authority Pension Fund

1) Description of the Fund

The West Midlands Passenger Transport Authority Pension Fund (the Fund) was established on 29 November 1991 under the Local Government Superannuation (Miscellaneous Provisions) Regulations 1991. The Local Transport Act 2008 changed the names of all English Passenger Transport Authorities to Integrated Transport Authorities. This was effective from the 9th February 2009 under Statutory Instrument 2009 No. 107 (C.08).

The West Midlands Integrated Transport Authority (the ITA) is responsible for the administration of the Fund, but has appointed Wolverhampton City Council as agents to administer the Fund on its behalf. The scheme is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

i) The Local Government Pension Scheme Regulations 2013 (as amended)

ii) The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)

iii) The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (as amended)

Following the transfer of ownership of West Midlands Travel Limited from local authority to employees' ownership, the West Midlands Passenger Transport Authority entered into an admission agreement with West Midlands Travel Limited whereby 5,556 existing employees of West Midlands Travel Limited transferred on 4 December 1991 from the West Midlands Metropolitan Authorities Pension Fund (WMPF) to the new Fund. The West Midlands Passenger Transport Authority also entered into an admission agreement with Preston Bus Limited, following their change from local authority to employee ownership. On 31 March 1993, 162 employees of the company were transferred from the Lancashire County Council Pension Fund to the West Midlands Passenger Transport Authority Fund. Preston Bus Limited decided during 2005/06 that it wished to terminate its active membership of the Fund and the Passenger Transport Authority agreed to this request.

Agreement was reached between Preston Bus Limited and 52 of their 56 existing members to terminate their active membership during 2005/2006 in return for a cash lump-sum payment. The four active members remaining at 31 March 2006 subsequently agreed to the same offer. There is no provision in the admission agreement for new employees of West Midlands Travel Limited to be admitted to the Fund.

2) Management of the Fund

The strategic management of the assets is fundamentally the responsibility of the Finance, Delivery and Performance Monitoring Committee (formerly the Pension Fund and Bus Shelter Appeals Sub-Committee) established by the ITA (the administering authority) which has representation from the major admitted bodies.
The Committee determines the strategic management of the assets based upon the professional advice it receives and the investment objectives set out.

During 2014/15, the members of the Committee were as follows:

- **Councillor Richard Worrall (Chair)** – appointed 20 July 2014
- **Councillor David Barrie** – appointed 20 July 2014
- **Councillor Peter Hughes** – appointed 20 July 2014
- **Councillor Gary Clarke** – appointed 20 July 2014
- **Councillor Ian Claymore** – appointed 20 July 2014
- **Councillor Ian Cruise** – appointed 20 July 2014
- **Councillor Susan Eaves** – appointed 20 July 2014
- **Councillor Michael Evans** – appointed 20 July 2014
- **Councillor John McNicholas** – appointed 20 July 2014
- **Councillor Michael Robinson** – appointed 20 July 2014
- **Councillor Qadar Zada** – appointed 20 July 2014
- **Councillor Bryan Cotterill** – retired 20 July 2014
- **Councillor Allah Ditta** – retired 20 July 2014
- **Councillor Patrick Harley** – retired 20 July 2014
- **Councillor Robert Alden** – retired 20 July 2014
- **Councillor Des Hughes** – retired 26 May 2014
- **Councillor Catherine Miks** – retired 20 July 2014

3) Advisors and Officers

Investments and pensions administration are complex areas and the Fund recognises the need for its Committee to receive appropriate and timely advice. The day-to-day oversight of the ITA Fund is delegated to senior pension officers from the Fund at the City of Wolverhampton Council. Against this background, its principal advisors are as follows:

- **Mercer Human Resource Consulting**
  Actuarial matters
- **Mercer Investment Consulting**
  Policy and investment matters relative to liabilities
- **City of Wolverhampton Council Officers**
  Investment implementation and administration, oversight of cash flows and pensions administration.
- **Grant Thornton**
  Scheme auditors

Explanatory Foreword

Explanatory Foreword and the Report of the Treasurer of the West Midlands Integrated Transport Authority Pension Fund

4) Membership

Membership of the Fund at the year end was as follows:

31 March 2014 No.		31 March 2015 No.
586	Active members	518
3,702	Pensioners	3,775
938	Deferred pensioners	887
5,226	**Total members**	**5,180**

5) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2015 depending on the level of pay.

Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The latest valuation completed as at 31 March 2013 has set the rates for the period from 1 April 2014 to 31 March 2017. The detail of employer's contributions and the actuarial valuation are set out in note 21 to the accounts.

6) Benefits

With effect from 1 April 2008 new rules were introduced replacing the 1997 scheme. The principal changes were the replacement of 1/80th of pensionable pay for each year of pensionable service plus an automatic lump-sum of three times this amount by one based on 1/60th of pensionable pay for each year of pensionable service with no automatic lump-sum. Part of the annual pension can be commutated for a one-off tax-free lump-sum at a rate of £12 cash for each £1 per annum of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

Major changes were introduced to the LGPS from 1 April 2014, in particular the move from basing pensions on final salaries to career-average revalued earnings (CARE), with an accrual rate of 1/49th, and pensions uprated annually in line with the consumer prices index (CPI). Pension entitlements accrued prior to this date continue to be based on final salary.

7) Bulk annuity insurance arrangement

As an integral part of its risk management and reduction strategy the ITA, in 2011, approved a bulk annuity insurance buy-in and, following a comprehensive procurement process, the policy was put in place on 18th April 2012 with Prudential Retirement Income Limited (Prudential). The insurance cover provides that the insurer underwrites the risk for meeting the liabilities relating to West Midlands Travel Limited pensioners on the pension payroll at 11th August 2011. The insurance provider will pay the cost of the monthly pension payments for current pensioners whilst they or their dependants are entitled to a pension. The initial arrangements do not cover the Preston Bus Company liabilities or future West Midlands Travel Limited pension payments arising from new pensioners or inflation uplifts or pre-October 1986 service.

The financial effect of the buy-in is explained in note 15 to the accounts.

8) Investment Strategy

In 2014/15, the ITA Pension Fund's Investment Strategy Panel agreed to change the investment strategy for the Preston Bus Limited section in order to improve its diversification characteristics.

The portfolio was rebalanced in June 2014 to implement the revised asset allocation for the Preston Bus Limited section and also bring asset allocation in line with target allocations for the rest of the fund.

A further rebalancing was conducted in December 2014 to bring the portfolio back to target allocations and also deploy excess cash that was in the account.

James Aspinall
Treasurer to the Integrated Transport Authority
Date: June 2015

Management and Financial Performance

- Scheme Management and Advisors
- Risk Management
- Financial Performance
- Administrative Management Performance

Management and Financial Performance

Part A: Scheme Management and Advisors from 31 March 2014

OFFICERS ADMINISTERING THE FUND

- **Geik Drever**
  Strategic Director of Pensions
- **Mark Chaloner**
  Assistant Director – Investments
- **Rachel Howe** *(from May 2014)*
  Head of Governance
- **Simon Taylor**
  Acting Head of Pensions Administration
- **Riz Dhanani** *(to October 2014)*
  Fund Accountant
- **David Kane** *(from October 2014)*
  Head of Finance

INVESTMENT MANAGERS

- Baillie Gifford
- Baring Asset Management Ltd
  (to October 2014)
- Legal & General Investment Management Ltd
- Newton Real Return
  (from October 2014)

AVC PROVIDER

- Prudential and Equitable Life

ACTUARY

- Mercer Human Resource Consulting Ltd

MAIN EXTERNAL ADVISERS AND SERVICE PROVIDERS

- City of Wolverhampton Council in-house solicitors
- KBW
- Stewarts Law LLP
- Squire Patton Boggs

BANKER

- NatWest

WMITA ACCOUNTANTS

- Emma Smart
- Forida Akhtar
  (from October 2014)

AUDITOR

- Grant Thornton LLP

SCHEME ADMINISTRATOR

- West Midlands Integrated Transport Authority

INDEPENDENT ADVISORS

- Hymans Robertson

Management and Financial Performance

Part B: Risk Management

The Fund has to manage a wide range of risks and evaluate how this will be achieved. It is done through regular review, analysis, effective controls and management action, both proactive and reactive. The Fund's objectives are achieved through a risk management framework.

The key elements are:

- Annual risk management review involving senior officers and use of a detailed template designed to cover all significant Fund activities. This is supported by the work of internal audit and specialist expertise engaged regularly in respect of operational investment risks supported by the use of the compliance testing programme.
- The external audit of the Fund's accounts and activities through experienced private sector staff supported by experienced pension partners combined with an actuarial expertise.
- Analysis of key processes enabling appropriate internal control procedures to be developed and maintained.
- A robust process for developing, monitoring and managing the investment strategy, and associated risk budget.

A key element to risk management is the structured delegation of powers from the Authority to the Finance, Delivery, Performance and Monitoring Committee and then to the Strategic Director of Pensions of West Midlands Pension Fund, supported by senior officers. To complement the delegation, there is extensive and detailed accountability back to Committee on how these delegations have been exercised on a regular basis, with the Strategic Director submitting an annual assurance report. The purpose of the annual report is to demonstrate that the Fund meets its objectives, is adequately resourced, managed to high professional standards, meets legislative requirements and best practices (when appropriate) and has high customer service functions satisfaction. In particular, risk management arrangements are robust, and the reports to Pensions Committee have given that assurance.

Investment risk is significant and recognised as falling into distinct areas: market risk (beta) and manager skill (alpha). Investment strategy is devised and implemented with regard to these risks and is designed with the support of external expert advice.

Details are contained in the *Statement of Investment Principles* and the *Funding Strategy Statement*. The operational management of the investment strategy is covered by a compliance-testing programme, designed with the help of Deloitte, leading to quarterly reports to the Pensions Committee. This provides continual monitoring and review of investment activity and associated risks. The Fund's approach to risk is regularly assessed, the Fund's investment strategy is reviewed annually by the Pensions Committee supported by the Fund's investment advisor, the latest being 2014/15.

The investment strategy is monitored weekly by officers, enabling appropriate corrective action to be taken if deemed necessary. A quarterly report is submitted to the Investment Sub-Committee covering the current asset allocation relative to the benchmark, investment performance and the actions taken during the quarter to implement the Pensions Committee's investment policy. Any positions outside the strategic risk ranges are reported and explained. In addition, an Investment Advisory Panel became operational from April 2015. Its role is to provide further assurance and robust governance. One of its key duties is to review the investment risks taken by the Fund, monitoring how the risks are managed and making recommendations on actions required to address investment risks.

Risks associated with the operational payment of benefits and recording of pensioner records produces a complex set of risks, which are mitigated with the use of an IT system that is thoroughly and regularly tested, combined with the technical hierarchy checking of output by pension staff.

It is recognised that Fund services are very dependent upon third-party contracts ranging from IT through to investment managers. All are subject to regular review and monitoring, with compliance visits targeted at the more significant risk areas.

Management and Financial Performance

Financial Services Report

The primary functions performed by the service are the payment of pensions, the collection of employer and employee contributions and day-to-day accounting for the Fund.

Part C: Financial Performance

The Fund continues to seek to minimise and recover, where appropriate, any overpayments made to members. The majority of these cases arise from late notification of a member's death. The trend of overpayments made in the last five years is shown in the graph opposite.

Basic contributions to the Fund of £10.1 million were collected in the year, £9.1 million in respect of employers' contributions and £1.0 million for employees' contributions.

David Kane
Head of Finance
West Midlands Pension Fund
Date: June 2015

West Midlands Integrated Transport Authority

Year	Pension overpayment	% of gross pension
2009/10	£3,265	0.02%
2010/11	£7,411	0.04%
2011/12	£7,663	0.04%
2012/13	£10,930	0.05%
2013/14	£4,561	0.02%
2014/15	£3,738	0.02%

Contribution Analysis

Employee's contributions

Standard contributions

Payroll	5.50%	5.80%	6.50%	6.80%	8.50%
Monthly	794.41	9,335.53	98,403.94	49,202.43	45,250.12
Weekly	13,367.89	60,027.95	485,567.87	160,281.62	43,174.57
Total contributions	**14,162.30**	**69,363.48**	**583,971.81**	**209,484.05**	**88,424.69**

Payroll	9.90%	10.50%	11.40%	12.50%	**Total**
Monthly	28,163.55	-	-	-	**231,149.98**
Weekly	2,536.37	-	246.26	-	**765,202.53**
Total contributions	**30,699.92**	**-**	**246.24**	**-**	**996,352.49**

Employee's contributions

Additional contributions

Payroll	Additional contributions	ARC	Employee's sub-total
Monthly	-	-	231,149,98
Weekly	3,609.33	-	768,811.84
Total contributions	**3,609.33**	**-**	**999,961.82**

Employer's contributions

Payroll	Employer's contributions	Total payments
Monthly	694,389.30	925,539.28
Weekly	2,537,667.98	3,306,479.82
Total contributions	**3,232,057.28**	**4,232,019.10**

Management and Financial Performance

Part C: Financial Performance

ITA Cashflow Statement

A summary of the quarterly current account cashflows and funding during the reporting period is shown below:

	Q1 £000	Q2 £000	Q3 £000	Q4 £000
Opening balance	**3,498**	**1,744**	**1,887**	**939**
Contributions and income received	7,378	7,910	7,158	7,968
Net pension and miscellaneous payments out	6,926	6,767	7,112	8,128
Quarterly net cash flow	452	1,143	46	(160)
Funded/utilised by:				
- Quarterly net investment activity	2,206	1,000	994	-
- Net redemption/investments of temporary loans	-	-	-	-
Closing balance	**1,744**	**1,887**	**939**	**779**

Commentary on Movements on Assets and Liabilities

The table below details the assets and liabilities of the Fund as at 31 March 2013 and 31 March 2010:

	31 March 2013 £m	31 March 2010 £m
Total assets	449	382
Liabilities:		
Active members	126	124
Deferred pensioners	65	49
Pensioners	372	280
Total liabilities	563	453
Past service surplus / (shortfall)	28	n/a
Funding level	84%	84%

The key factors which have affected the movement of assets and liabilities are:

- improvements in the position due to positive investment performance, the impact of contributions paid by employers and interest rate protection from buy-in contract;
- shortfall increase due to changes in underlying financial conditions, principally reductions in real gilt yields; and
- significant changes in the financial market position. In particular, there has been an increase in gilt yields which underpin the assessment of past service liability values and therefore the long-term funding target.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

Timeliness of Contributions

The receipt of contributions is monitored on an ongoing basis and reported to the Strategic Management Team on a monthly basis in the form of a key performance indicator (KPI). The table below details the KPI during 2014/15 reflecting the percentage of contributions received by the 19th of the following month in which contributions have been deducted from the employers' payroll:

Month	KPI % for individual months' contributions
April 2014	100
May	100
June	100
July	100
August	100
September	100
October	100
November	100
December	100
January 2015	100
February	100
March	100

Administrative Costs

The Fund incurs the following costs for pension administration as part of SLA agreements with the ITA Pension Fund:

• WMPF Fund Administration & Finance	£120,000
• Centro – Accountancy	£33,254
• WMPF Investment Management	£30,000

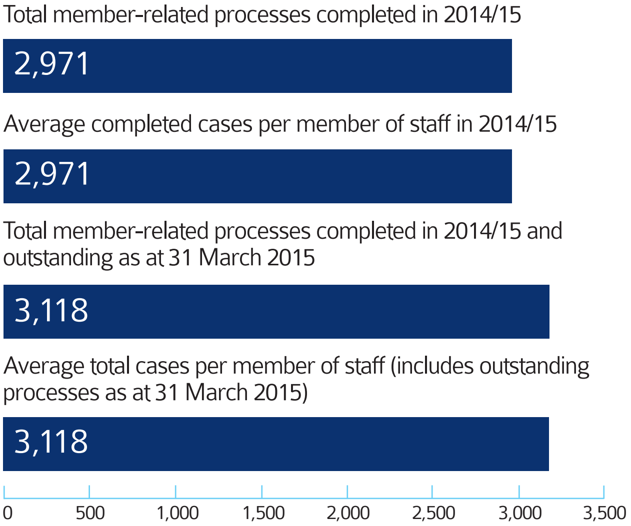
Management and Financial Performance

Part D: Administrative Management Performance

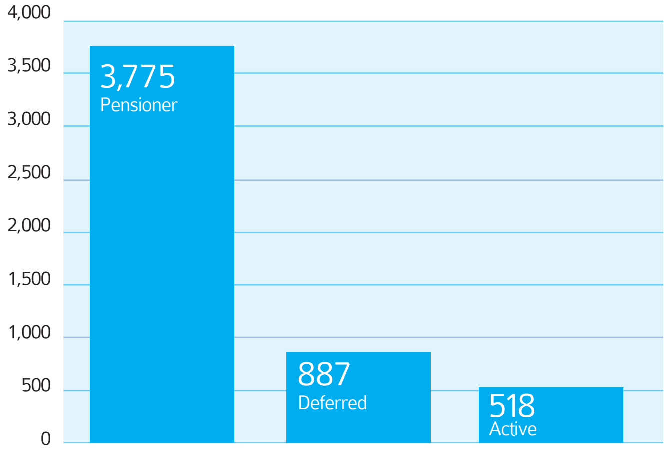
Administration and Key Operation Data

The following data for 2014/15 illustrates performance information and background for the pensions organisation.

Average Cases Per Member of Staff



Staff/Fund Ratios Membership as at 31 March 2015



Staff **1**

Ratio (Fund members per member of staff) **5,180**

Member Movements During the Year – Withdrawals from the Fund

- Members awarded immediate retirement benefits
- Members entitled to deferred benefits
- Benefits awarded following a member's death in service

Complaints - Number of Complaints/ Number as % of Workload

0.03% Percentage of workload in 2014/15

Recoveries and Non-Recoveries of Overpayment

	Non-recoveries	Recoveries	Total overpayments	Gross pension	Overpayment * as %
2010/11	-	£7,411	£7,411	£20,105,141	0.04%
Number	-	32	32		
2011/12	£547	£7,116	£7,663	£21,194,619	0.04%
Number	4	22	26		
2012/13	-	£10,930	£10,930	£22,444,586	0.05%
Number	-	24	24		
2013/14	-	£4,561	£4,561	£23,198,596	0.02%
Number	-	23	23		
2014/15	£216	£3,522	£3,738	£24,097,703	0.02%
Number	2	15	17		

**Overpayment as a percentage of gross pensions paid*

Management and Financial Performance

Part D: Administrative Management Performance

Administration and Key Operation Data

Five-Year Detail

	Employer name	Active	Deferred	Preserved refunds	Pensioner	Beneficiary	Totals
2011	West Midlands Travel Ltd	861	922	19	2,942	390	5,134
	Preston Borough Transport	0	1	0	2	0	3
	Preston Bus Ltd	0	34	0	92	19	145
	Total	**861**	**957**	**19**	**3,036**	**409**	**5,282**
2012	West Midlands Travel Ltd	796	897	17	3,000	423	5,133
	Preston Borough Transport	0	1	0	2	0	3
	Preston Bus Ltd	0	30	0	94	19	143
	Total	**796**	**928**	**17**	**3,096**	**442**	**5,279**
2013	West Midlands Travel Ltd	744	858	17	3,044	452	5,115
	Preston Borough Transport	0	0	0	2	0	2
	Preston Bus Ltd	0	28	0	93	21	142
	Total	**744**	**886**	**17**	**3,139**	**473**	**5,259**
2014	West Midlands Travel Ltd	586	895	17	3,103	483	5,084
	Preston Borough Transport	0	0	0	2	0	2
	Preston Bus Ltd	0	26	0	92	22	140
	Total	**586**	**921**	**17**	**3,197**	**505**	**5,226**
2015	West Midlands Travel Ltd	518	849	16	3,160	499	5,042
	Preston Borough Transport	0	0	0	1	0	1
	Preston Bus Ltd	0	22	0	92	23	137
	Total	**518**	**871**	**16**	**3,253**	**522**	**5,180**

Management and Financial Performance

Part D: Administrative Management Performance

Administration and Key Operation Data

Age Analysis - Number of Members

Status (age in years)	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54
Active	0	0	0	0	0	0	0	0	21	80	138
Beneficiary pensioner	0	1	4	4	2	0	1	2	1	5	16
Deferred	0	0	0	0	0	0	0	4	77	173	310
Deferred ex-spouse	0	0	0	0	0	0	0	0	0	2	5
Pensioner	0	0	0	0	0	0	0	0	1	14	31
Preserved refund	0	0	0	0	0	0	0	0	11	1	3
Total	**0**	**1**	**4**	**4**	**2**	**0**	**1**	**6**	**111**	**275**	**503**

Status (age in years)	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-99	100+	Total
Active	156	74	42	7	0	0	0	0	0	0	**518**
Beneficiary pensioner	31	53	113	127	101	52	9	0	0	0	**522**
Deferred	241	55	0	0	0	0	0	0	0	0	**860**
Deferred ex-spouse	3	1	0	0	0	0	0	0	0	0	**11**
Pensioner	78	562	875	856	601	199	36	0	0	0	**3,253**
Preserved refund	1	0	0	0	0	0	0	0	0	0	**16**
Total	**510**	**745**	**1,030**	**990**	**702**	**251**	**45**	**0**	**0**	**0**	**5,180**

Active members
The Fund has a total active membership of 518. Since 31 March 2014, the number of contributing members has decreased by 68.

Deferred members
These are former contributors who have left their pension rights with the Fund until they become payable at normal retirement date.

Pensioner members
Pensions and other benefits amounting to £27.3 million each year are paid to deceased and retired members.

Investment Policy and Performance

Investment Policy and Performance

Investment Report

1) Investment Managers

In April 2014, the fund had investments with three managers: Legal & General Investment Management, Baillie Gifford and Barings. Legal & General manage equities, gilts and corporate bonds while Baillie Gifford and Barings managed diversified growth funds. In October 2014, the holding in Barings Dynamic Asset Allocation fund was sold and the proceeds were invested in Newton's Real Return Fund.

As at year-end, the values of the funds under management were as follows:

Total market value 31 March 2014 £'m	%		Total market value 31 March 2015 £'m	%
117.0	64%	Legal and General Investment Management	132.0	62%
33.3	18%	Baillie Gifford	39.3	19%
32.9	18%	Barings	-	-
-	-	Newton	40.1	19%
183.2	100%		**211.4**	100%

2) Investment Principles

As required by Section 35 of the Pensions Act 1995 a statement of Investment Principles was produced (in May 2013) and is available on request or from the Fund's website (http://www.wmpfonline.com/corporateinfo). This statement is reviewed every three years unless circumstances change.

3) Review of Investment Performance

With the exception of corporate bonds, Legal & General manage their investments on a passive basis with the expectation of making market returns. Corporate bonds are managed on an active basis with the expectation of producing returns above the market using the manager's skills to outperform. In respect of Newton and Baillie Gifford, unlike traditional portfolios, diversified growth funds do not measure their performance against market indices. Instead, they aim to earn a consistent return above cash.

Over the last five years, the Fund's returns, relative to the bespoke benchmark*, are as follows:

	Year ended 31 March 2011	2012	2013	2014	2015
Fund	7.0%	6.5%	12.6%	3.0%	12.7%
Benchmark	7.2%	6.8%	12.3%	3.8%	11.5%
Relative	-0.2%	-0.3%	0.3%	-0.8%	1.2%

** The bespoke benchmark is a pro-rated combination of the different indices used by the above-mentioned managers.*

The annualised performance of the Fund over one, three, five and ten years is detailed below:

	One year	Three years	Five years	Ten years
Fund	12.7%	9.3%	8.3%	8.0%
Benchmark	11.5%	9.1%	8.3%	7.9%
Relative	1.2%	0.2%	0.0%	0.1%

During the year to 31 March 2015, the Fund outperformed the benchmark by 1.2%. Most of this outperformance was attributable to the diversified growth funds which returned 7.3% against a target of 4.3% for the 12-month period. The equity portfolio also outperformed its benchmark returning 16.2% against a benchmark of 15.5%. The fixed income sector produced a positive return of 15.9% outperforming its benchmark of 15.7%.

The performance of the Fund is reviewed by an independent measurer, HSBC Securities Services. Investment returns are based on mid-point valuations for Legal & General and bid-point valuations for the diversified growth funds.

4) Custodial Arrangements

The ITA Pension Fund currently holds all of its investments in pooled investment vehicles managed by FCA-regulated fund managers with administrative and custody arrangements in place to support them. The Fund owns units in investment vehicles (rather than the underlying assets) and obtains and reviews reporting accountants' reports on internal controls from the relevant investment managers to ensure control arrangements are suitable and risks are effectively managed.

Where direct investments are held by the ITA Pension Fund, these will be held by our Custodian, HSBC.

Custodian: HSBC Bank plc
HSBC Securities Services
8 Canada Square
London E14 5HQ

Assets will be held in the name of HSBC Global Custody Nominee (UK) Ltd.

The Custodian is authorised and regulated by the Financial Conduct Authority (FCA) and the Custodian shall take all reasonable steps to ensure the protection of the Client's assets in accordance with FCA rules.

Investment Policy and Performance

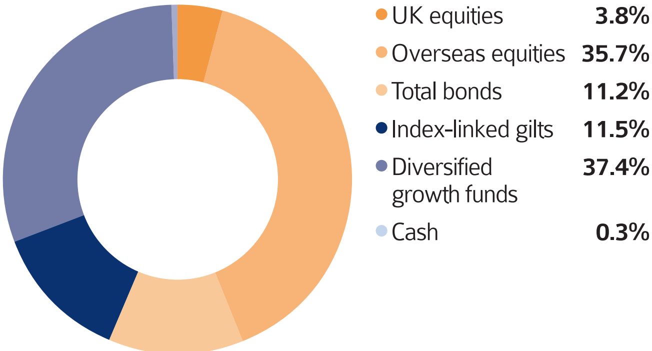
The market value of the ITA Fund as at 31 March 2015 was £474.9m.

Of this an insurance policy was the largest component, £263.7m. The majority of the balance is passively managed by Legal & General whose portfolios are designed to track a relevant index for each asset class and thus deliver market returns. Legal & General also manage an active corporate bond portfolio. £79.4m is actively managed in diversified growth funds, (DGFs), by Baillie Gifford and Newton.

A rebalancing exercise was completed in June 2014. The objectives of this exercise were to implement the new asset allocation for the Preston Bus Limited, bring all assets back in line with their target allocation and invest the surplus cash that had built up in the account. This exercise was repeated in December to realign the asset allocation and invest surplus cash. In October 2014, the Barings holding was sold and proceeds were invested with Newton.

The asset distribution as at 31 March 2015 is illustrated in the following chart:

ITA Asset Allocation (ex-Prudential Annuity)



Market Commentary

In the period April – June 2014, most markets produced positive returns. Emerging markets outperformed developed markets partly due to a positive reaction to the electoral victory of Narendra Modi in India. There was some geopolitical tension in this period from the ISIS incursion in Iraq. In the next quarter (July – September) eurozone equities produced negative returns with Germany, in particular, being impacted by geopolitical risk that arose with Ukraine and Russia. UK equities were impacted by the high allocation to oil and commodities that did not perform well.

The continuing fall in oil prices dominated the next quarter (October – December), affecting the economies of all major oil-producing countries. Following strong economic data, the USA ended its quantitative easing programme in this period. Japan responded positively to the success of Prime Minister Shinzo Abe winning a snap election and then introducing a further round of quantitative easing in December 2014. The first quarter of 2015 saw the long-awaited introduction of quantitative easing in Europe; unfortunately the positive impact that this had on the market was diminished by the euro's depreciation against the dollar.

Throughout the above 12-month period, concerns over slowing Chinese growth and the timing of potential interest rate rise in the USA impacted markets, despite which many government bonds fell to historic lows in March 2015.

UK inflation as measured by the consumer prices index, (CPI), began the year at 1.5% and fell steadily to 0.00% by March 2015. Fiscal tightening continued and interest rates did not change over the year.

Annualised Returns

The annualised returns for the Fund are detailed below:

Period to 31 March 2015	WMITA %pa	Bespoke benchmark % pa
One year	+12.7	+11.5
Three years	+9.3	+9.1
Five years	+8.3	+8.3
Ten years	+8.0	+7.9

The Fund outperformed its bespoke benchmark by 1.2% over the year, mainly due to strong relative performances by the diversified growth funds. The Fund has matched the benchmark over the five-year period and has outperformed over the three- and ten-year periods.

A new asset allocation for the Preston Bus Limited was implemented in June 2014. There was no material impact on performance.

The returns by manager and asset class are detailed overleaf for 2013/2014 and 2014/2015. (Returns for Barings and Newton are for the period invested: Barings, 1 April - 14 October; Newton, 23 October - 31 March Newton.)

Investment Policy and Performance

2014/2015 gross returns	Legal & General Actual	Legal & General Index	Baillie Gifford Actual	Baillie Gifford Index	Barings Actual	Barings Index	Newton Actual	Newton Index
UK equities	+6.6%	+6.6%	-	-	-	-	-	-
Overseas equities:								
- North America	+25.2%	+25.1%	-	-	-	-	-	-
- Europe	+7.6%	+7.7%	-	-	-	-	-	-
- Japan	+26.9%	+27.1%	-	-	-	-	-	-
- Pacific Basin ex Japan	+10.6%	+10.6%	-	-	-	-	-	-
- Emerging markets	16.0%	+16.3%	-	-	-	-	-	-
UK gilts	+1.6%	+1.6%	-	-	-	-	-	-
Index linked	+18.6%	+18.6%	-	-	-	-	-	-
Non-government bonds	+13.3%	+13.1%	-	-	-	-	-	-
Diversified growth funds	-	-	+8.5%	+4.0%	+0.2%	+2.6%	+6.5%	+1.9%
Total	+16.1%	+15.6%	+8.5%	+4.0%	+0.2%	+2.6%	+6.5%	+1.9%

2013/2014 gross returns	Legal & General Actual	Legal & General Index	Baillie Gifford Actual	Baillie Gifford Index	Barings Actual	Barings Index
UK equities	+9.0%	+8.8%	-	-	-	-
Overseas equities:						
- North America	+10.7%	+10.3%	-	-	-	-
- Europe	+18.1%	+18.3%	-	-	-	-
- Japan	-1.4%	-1.6%	-	-	-	-
- Pacific Basin ex Japan	-6.6%	-6.6%	-	-	-	-
- Emerging markets	-10.9%	-10.8%	-	-	-	-
UK gilts	-2.3%	-2.6%	-	-	-	-
Index linked	-3.7%	-3.8%	-	-	-	-
Non-government bonds	+9.45%	+12.0%	-	-	-	-
Diversified growth funds	-	-	+1.7%	+4.0%	+1.6%	+4.6%
Total	+3.8%	+3.8%	+1.7%	+4.0%	+1.6%	+4.6%

Asset Allocation Benchmark and Actual

	31 March 2014 Benchmark %		31 March 2014 Actual %	
UK equities		6.0		6.2
Overseas equities:		34.6		34.6
- Europe	10.0		11.1	
- North America	11.4		12.0	
- Japan	11.4		12.0	
- Pacific Basin	3.7		3.4	
- Emerging markets	5.6		4.7	
Diversified growth funds		35.2		35.5
Total growth		**75.8**		**76.3**
Index-linked gilts		10.6		9.7
Gilts		2.4		2.0
Corporate bonds		11.2		10.2
Cash		0.0		1.8
Total defensive		**24.2**		**23.7**
Total assets		**100.0**		**100.0**

	31 March 2015 Benchmark %		31 March 2015 Actual %	
UK equities		3.9		3.8
Overseas equities:		34.5		35.8
- Europe	9.6		10.0	
- North America	11.5		12.0	
- Japan	3.8		4.3	
- Pacific Basin	3.8		3.8	
- Emerging markets	5.8		5.7	
Diversified growth funds		38.4		37.4
Total growth		**76.8**		**77.0**
Index-linked gilts		11.6		11.5
Gilts		0.0		0.0
Corporate bonds		11.6		11.2
Cash		0.0		0.3
Total defensive		**23.2**		**23.0**
Total assets		**100.0**		**100.0**

Largest Holdings

The Fund, as part of its risk management arrangements, now uses pooled vehicles and has no direct shareholdings in companies (see note 14 of the accounts)

Shareholder Voting

The Fund has regular meetings with Legal and General to review their governance activity and voting of shares held in the unit trusts in which the Fund has invested.

Scheme Administration Report

Scheme Administration Report

2014/15 saw the implementation of the new career-average revalued earnings (CARE) scheme with effect from 1 April 2014. The amendments made by the Department for Communities and Local Government (DCLG) to the LGPS Regulations in relation to the CARE scheme were embraced by the Fund, despite the challenges in practically applying the changes due to the date of delivery and implementation of the complexities into our processes in partnership with our software provider.

The Fund has managed the transition using the expertise of our in-house resources, sometimes necessitating manual intervention, whilst system processes were developed. We have endeavoured to ensure that all stakeholders were well informed both in terms of the changes and the progress being made by the Fund. This process continues with the Fund looking to implement further changes, whilst incorporating more streamlined ways of working and supplementary legislation.

Since the 2014 scheme change, the Government has released the 2014 Budget which relaxed the rules around trivial commutation of smaller pensions and has also introduced 'Pensions Freedom and Choice' as a mechanism for members to access their benefits in alternative ways. The Fund aims to provide further information on both these subjects in 2015/16.

Fund administration staff continue to focus heavily on cleansing data currently held on our records and received from employers in line with the closer scrutiny placed on this area by The Pensions Regulator (TPR).

We intend to intensify electronic working practices going forward and will work with employers to ensure any efficiencies in this area are explored and harnessed. Part of this process has been the development of our web portal and we hope to encourage increased sign-up to this facility.

The Fund provides Pensions Committee with quarterly statistical reports demonstrating trends and service levels, particularly at notification periods for deferred and annual benefits statements. Included in these reports are the internal dispute resolution procedure (IDRP) casework and monthly pensioner payroll figures. For the reasons detailed above, the Fund's performance for this year has been below our high standards, however we intend to improve in this area for 2015/16 with the continued implementation of LGPS 2014 and greater efficiencies.

The Fund held both an annual general meeting and a mid-year review for participating employers to discuss a number of relevant issues which also increased the emphasis on 'partnership' working. These meetings were important as part of the continual engagement process with employers and for which we receive very positive feedback. For these events in 2015/16, we would like to receive more interaction from employers on the type of subject material they would like covered. In addition, the Fund will continue to offer member roadshows at WMITA employer sites along with regular one-to-ones and events at the Fund's offices should they be required.

The Fund will begin preparation for the 2016 actuarial valuation in 2015/16 engaging with WMITA employers as early as possible. One of the primary challenges for the Fund in this area will be the balance between prudence and affordability.

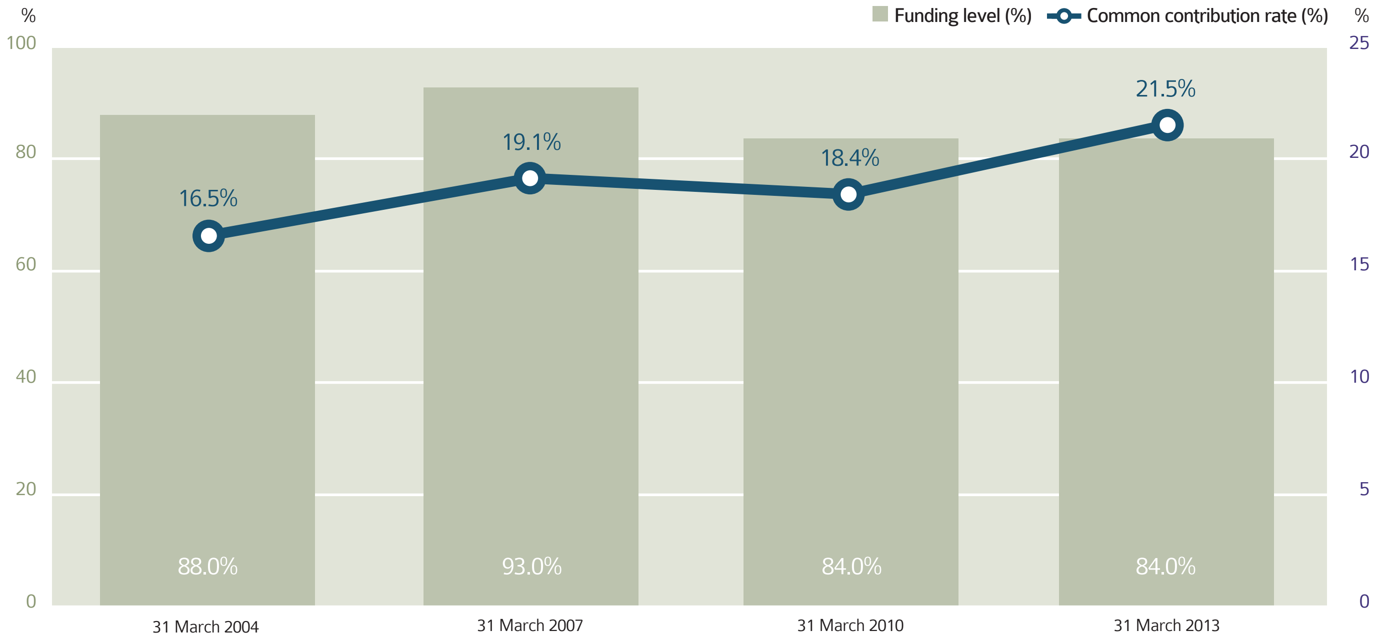
Operational staff continue to develop themselves in order that we are best placed to provide a high level of service to our stakeholders ensuring that our expertise remains current aligned to evolving legislation. As a result, the Fund has registered as a centre for the industry-recognised Pensions Management Institute (PMI) Certificate of Pension Calculations (CPC) with a number of candidates having taken the examinations for the first time this year. At the Fund, continuous improvement is always a key consideration in our daily operational activities as we aim to work together and in partnership with our employers, service contractors and partners to put the requirements and expectations of all our customers first in the delivery of our service.

Simon Taylor
Head of Pensions Administration,
West Midlands ITA Pension Fund
Date: June 2015

Scheme Administration Report

12-year Actuarial Valuation Trends

Funding Level and Common Contribution Rate Trends



Dispute Resolution

There were no new dispute cases in 2014/15.

Any dispute would be independently reviewed under the Scheme's internal disputes resolution procedure (IDRP). A number of other regulatory bodies exist that may also be of assistance.

The LGPS regulations require the Fund to have an arrangement in place for the resolution of disagreements. It is a two stage process:

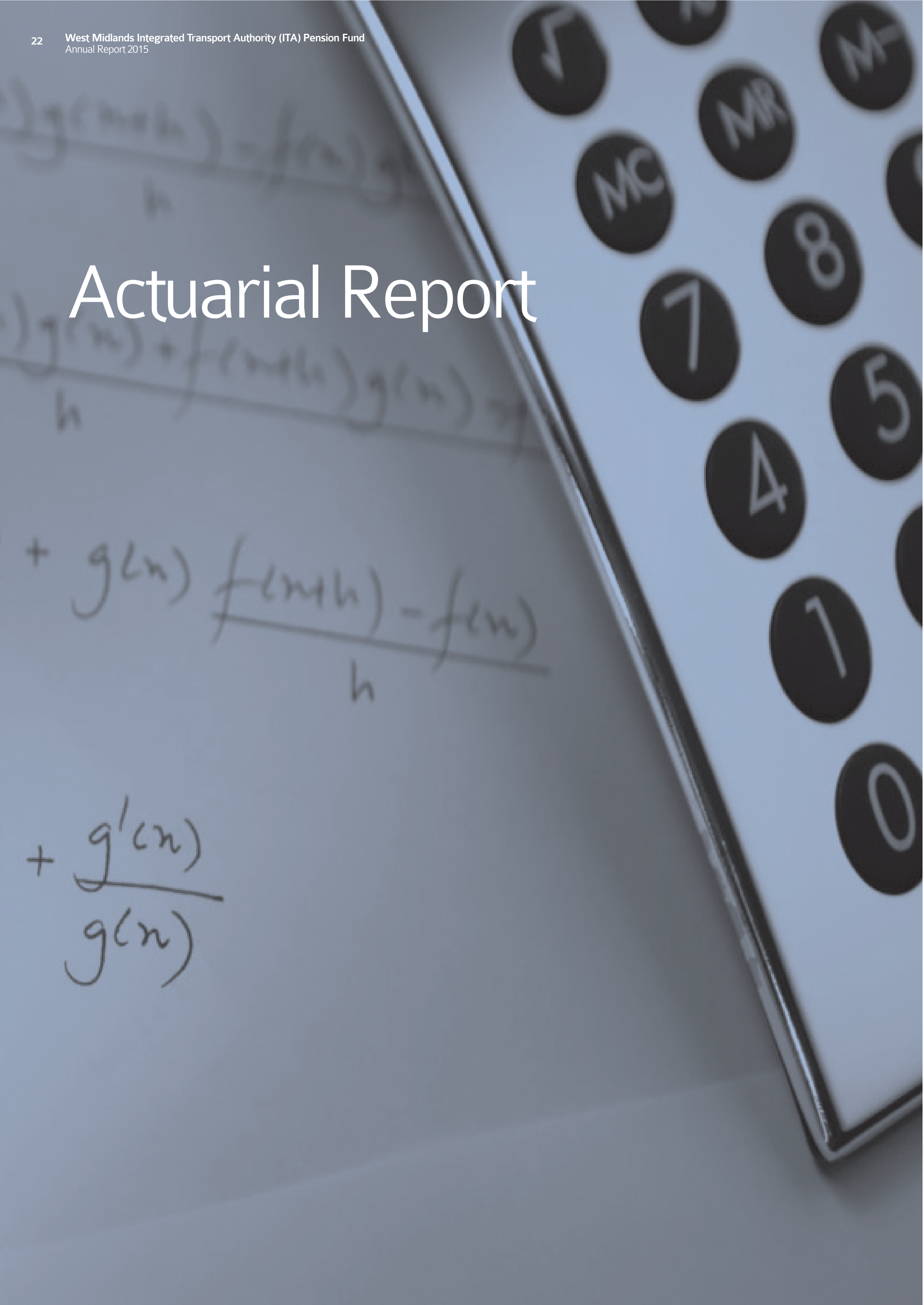
- **Stage 1** – application for adjudication of disagreements
- **Stage 2** – referral of adjudications to administering authority

Each employer and administering authority must appoint a person “the adjudicator” to consider an application from any person who is dissatisfied with a decision made under the pensions regulations. This first stage is a formal review by the authority or body that made the decision and it provides an opportunity to reconsider and where appropriate to alter the decision where facts or evidence were not taken into account or where there has been a mistake. An application must be made within six months of the date of the notification of the decision and the adjudicator must give a decision within two months of receiving the application

The administering authority is responsible for reconsidering a decision where a person is unhappy with the outcome from the adjudicator under stage one. At this second stage, the administering authority need to be satisfied that the stage one decision was reasonable and consistent with other decisions made. The administering authority must reconsider the decision and provide the applicant with a written outcome within two months.

The notification must also include a statement which states that the Pensions Ombudsman may investigate and determine any complaint or dispute.

Actuarial Report



Actuarial Report

Statement of the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the West Midlands Integrated Transport Authority Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, and after allowance for significant changes in financial markets following the valuation date, the final valuation balance sheet as at 31 March 2013 showed there to be a deficit of £86 million, representing a funding level of 84%. This position allowed for the value of the insurance policy held with Prudential in relation to certain pension payments from the Fund (the 'buy-in' asset).

This deficit of £86 million was taken into account when considering the deficit contribution requirements for employers (alongside any previous arrangements with employers regarding contribution rates that were in place).

The valuation also showed that a common rate of contribution of 21.5% of pensionable pay per annum was required from employers based on consistent market conditions with the deficit of £86 million. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure, which became effective from 1 April 2014.

Further details regarding the results of the valuation, the approach adopted and underlying assumptions are contained in the formal report on the actuarial valuation dated 31 March 2014.

In addition to the certified contributions, payments to cover additional liabilities arising from early retirements (both ill-health and non-ill-health retirements) will be made to the Fund by the employers. The funding plan adopted in assessing the contributions for each employer is in accordance with the *Funding Strategy Statement (FSS)*. Different approaches adopted in implementing contributions are as determined through the FSS consultation process.

The valuation was carried out using the attained age actuarial method and the main actuarial assumptions as at 31 March 2013 (ie, prior to any adjustment for post-valuation date changes in market conditions) used for assessing the funding target and the common contribution rate were as follows (split between the two participating employers in the Fund as required):

West Midlands Travel Ltd (Liabilities and Common Contribution Rate)

Rate of return on investments (discount rate)	
• pre-retirement (non-pensioners)	5.5% per annum
• post-retirement (non-pensioners)	3.5% per annum
• post-retirement (non-buy-in pensioners)	3.5% per annum
• post retirement (buy-in pensioners)	3.0% per annum
• buy-in asset valuation	2.5% per annum
Rate of pay increases	2.6% per annum
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.6% per annum

Preston Bus Ltd (Liabilities only)

Rate of return on investments (discount rate)	
• pre-retirement	5.0% per annum
• post-retirement	3.0% per annum
Rate of pay increases	n/a
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.6% per annum

Further details regarding the assumptions, and the allowance for changes in post valuation date market conditions are contained in the formal report on the actuarial valuation dated 31 March 2014.

The Scheme's invested assets were assessed at market value. The buy-in asset valuation was derived based on the assumptions set out in the report which are consistent with the assumptions to calculate the liabilities allowing for the profile of payments expected from the buy-in asset.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.4% per annum	3.2% per annum
Rate of pay increases	2.4% per annum	2.0% per annum
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.4% per annum	2.0% per annum

The demographic assumptions are the same as those used for funding.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (3.2% p.a. versus 4.4% p.a.). The expected long-term rate of CPI inflation also fell during the year, resulting in a lower assumption for pension increases at the year-end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

Actuarial Report

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £494 million. The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by c£64 million. Adding interest over the year increases the liabilities by c£21 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by c£17 million (allowing for any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is therefore £562 million.

Paul Middleman
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2015

Actuarial Report

Actuarial Valuation as at 31 March 2013

Rates and Adjustments Certificate issued in accordance with Regulation 36 of the Administration Regulations

Name of Fund	**West Midlands Integrated Transport Authority Pension Fund**

Primary Contribution Requirements

I hereby certify that, in my opinion, the common rate of employers' contributions payable in each year of the period of three years beginning 1 April 2014 should be at the rate of 21.5 per cent of Pensionable Pay.

I hereby certify that, in my opinion, the amount of the employers' contributions payable in each year of the period of three years beginning with 1 April 2014, as set out above, should be individually adjusted as set out in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically).

Further Adjustments

A further individual adjustment shall be applied in respect of each early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's Actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the 3 years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary.

The total contributions payable by each employer will be subject to a minimum of zero. The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

Regulation 36(8)

No allowance for early retirements (including ill-health retirements) has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions.

Signature:

Name: Paul Middleman

Qualification: Fellow of the Institute and Faculty of Actuaries

Date of signing: 31 March 2014

Governance Arrangements

- Governance Compliance Statement
- Member Training

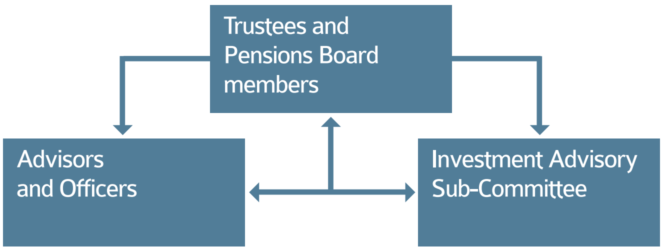
Governance Compliance Statement

The following *Governance Compliance Statement* applies to the activities of both West Midlands Pension Fund and the West Midlands Integrated Transport Authority Pension Fund. For ease of reading, it refers mainly to West Midlands Pension Fund: in the context of the ITA Fund, references to the administering authority should be taken to mean West Midlands Integrated Transport Authority, and references to Investment Advisory Sub-Committee should be read as Investment Strategy Panel.

During 2014/15, responsibility for the administration of the scheme was delegated to the ITA's Finance, Delivery, Performance and Monitoring Committee, with day-to-day administration performed on an agency basis by the City of Wolverhampton Council. In 2015/16, administration of the ITA Fund was formally delegated to the City of Wolverhampton Council's Pensions Committee, with the newly-established local Pensions Board being granted Government approval to operate as a joint Pensions Board for both funds.

Governance of the Fund

The Fund's governance arrangement has three elements:



Pensions Committee

The management, administration of benefits and strategic management of the assets is fundamentally the responsibility of the Pensions Committee established by the City of Wolverhampton Council (the administering authority) which has representation from the seven West Midlands metropolitan district councils and local trade unions. The Committee administers the scheme in accordance with the regulations and best practice, and determines the strategic management of the assets based upon the professional advice it receives and the investment objectives set out.

The roles of the members and the Committee are as follows:

1) To discharge the functions of the administering authority for the application of the Local Government Pension Scheme regulations in the West Midlands.

2) To put in place and monitor the arrangements for the administration of contributions and payments of benefits as required by the regulations, and the proper management and investment of monies held for the purpose of paying benefits.

3) To determine and review the provision of resources made available for the discharge of the function of administrating authority.

The key duties in discharging this role are:

1) To be responsible for compliance with legislation and best practice.

2) To determine admission policy and agreements.

3) To monitor pension administration arrangements.

4) To determine investment strategy based on a medium-term benchmark.

5) To approve policy.

6) To appoint committee advisors.

7) To determine detailed management budgets.

The full delegation from Council to Pensions Committee can be found in the Fund's website.

Investment Advisory Sub-Committee

The Investment Advisory Sub-Committee has oversight of the implementation of the management arrangements and comprises of representatives from the seven district councils and local trade union representatives.

The full outline of its role can be found in the terms of reference provided on the Fund's website.

The Sub-Committee meets at least four times a year and its key duties are:

1) To monitor the Fund's investment performance.

2) To monitor investment activity and the implementation investment strategy.

3) To monitor and review the Fund's investment of management awareness

4) To monitor and review detailed plans for individual asset classes.

The Strategic Director of Pensions oversees the implementation of Committee policy and the management of the day-to-day operational functions through the Fund's staff delivering Fund services. The Committee and its elected members are advised and supported by the Managing Director, Strategic Director of Pensions and Senior Finance and Legal Officers from the City of Wolverhampton Council.

Trade Union Representations and Provision of Information to Interested Parties

The Fund invites relevant trade unions to send local representatives to sit as observers on the Pensions Committee by annual nomination.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties. This is achieved through the Fund's communication strategy.

Local Pensions Board

The local Pensions Board assists the Pensions Committee with the good governance of the scheme ensuring the Fund's adherence to legislation, statutory codes of practice and guidance.

Consisting of six member representatives and six employer representatives, two of which are City of Wolverhampton Council councillors, the Board ensures the good performance of the Fund through monitoring of the Scheme Advisory Board's benchmarking criteria and working with officers to ensure the highest standards are met.

Governance Compliance Statement

Advisors and Officers

Investments and pensions administration are complex areas and the Fund recognises the need for its trustees and Pensions Board members to receive appropriate and timely advice. Against this background, its principal advisors are as follows:

i) High level advice on general management from the Managing Director of the City of Wolverhampton Council.

ii) Legal and general administrative advice and management from the Senior Legal Officer of the City of Wolverhampton Council who is also the monitoring officer for the Council.

iii) Financial and technical advice from the Strategic Director of Pensions who is the lead senior support officer and has direct responsibility for the in-house management, as well as implementing the investment strategy through a team of professionally qualified staff and external managers.

v) Senior pensions staff responsible for pensions benefits administration and communications.

vi) The Council's Director of Finance is also the Section 151 Officer for the Fund (with the Head of Finance, as the Deputy Section 151 Officer for the Fund, having operational responsibility on a day-to-day basis). The Director of Finance is also the Fund's Compliance Officer as set out in its *Compliance Manual*.

vii) A range of external specialist advisors are appointed, covering areas such as:

- Investment strategy, asset allocation and investment matters generally.
- Actuarial matters.
- Property management matters.
- Corporate governance and responsible investment issues.

Details of the Fund's advisers are published in the Fund's annual report and accounts.

Role of Council Members

The City of Wolverhampton Council is responsible for administering and discharging the functions as administering authority for the West Midlands Pension Fund. In addition to discharging the administration of benefits, recording of contributions, etc, the Council is also responsible for the investment of the Fund monies. Because the Fund covers the majority of local government employees in the West Midlands, as well as many admitted bodies, representatives from all seven district councils serve on the Committee and the Investment Sub-Committee. There is also active representation on behalf of the employees and pensioners from trade union representatives.

When considering the advice and determining investment policy, members are effectively acting as trustees and as such need to understand the special obligations placed upon them. These responsibilities are additional to those carried out as an elected member of a local authority. Members' duties as trustees are to manage the Fund in accordance with the regulations and to do so prudently and impartially on behalf of all the beneficiaries. This sometimes means that they may have to make decisions that in other political circumstances they may choose not to make. The overriding consideration for them as trustees, however, has to be for the benefit of the Fund and its contributors and beneficiaries.

The advice of the Fund's advisors is very important in discharging this responsibility. Trustees can delegate some of their powers but not the responsibilities that go with them. They are not expected to be qualified to give investment advice or to initiate investment policy but must be aware of what is proposed by their advisors and be sure that it is relevant to the needs of the Fund and within their powers.

In practice, trustees typically discharge their duty by ensuring that they have a systematic and clear way of agreeing their investment policy with managers and advisors they employ. Testing adherence to policy on a regular basis is essential. These requirements will consist of meetings and regular written reports with professional advisors whose skills and judgments can be relied upon. So far as the Fund is concerned, the advice is provided mainly by Council officers and the advisers detailed in the annual report and accounts.

In addition to the setting of policy and investment parameters for the Fund, there should be a formal meeting each year at which the investment returns are reviewed. There might well be other formal meetings of trustees to which managers make a brief report, or supplement their written material. The following are extracts from leading court judgment's made about the role of trustees. These extracts stress the independent fiduciary duty required of a trustee and the requirement to put the needs of the beneficiaries first at all times. These comments apply to all trustees, including members, involved in pensions work.

The Duty of Trustees

The duty of the trustees is to exercise their powers in the best interests of the present and future beneficiaries of the trust. Holding the scales impartially between different classes of beneficiaries is paramount. They must, of course, obey the law but, subject to that, they must put the interests of their beneficiaries first.

When the purpose of the trust is to provide financial benefits for the beneficiaries, the best interests of the beneficiaries are normally their best financial interests. In the case of a power of investment, the power must be exercised so as to yield the best return for the beneficiaries, judged in relation to the risks of the investment in question and the prospect of the yield of income and capital appreciation, both have to be considered in judging the return from the investment.

Standard Required of a Trustee

The standard required of a trustee in exercising his powers of investment is that he must take such care as an ordinary prudent man would take if he were minded to make an investment for the benefit of other people for whom he felt morally bound to provide.

That duty includes the duty to seek advice on matters which the trustees do not understand, such as the making of investments, and on receiving that advice to act with the same degree of prudence. This requirement is not discharged merely by showing that the trustee has acted in good faith and with sincerity. Honesty and sincerity are not the same as prudence and reasonableness. Accordingly, although a trustee who takes advice on investments is not bound to accept and act upon the advice, unless in addition to being sincere, he/she is acting as an ordinary prudent person would act.

Governance Compliance Statement

Role of a Pensions Board member

"The scheme manager (Pensions Committee) for a scheme has a Pensions Board with responsibility for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator. The Pensions Board must also assist the scheme manager with such other matters as the scheme regulations may specify."

A member of the Pensions Board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a Pensions Board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that

- appropriate for the purposes of enabling the individual to properly
- exercise the functions of a member of the Pensions Board

In appointing representatives to the Pensions Board, the Committee must be satisfied:

- that a person to be appointed as a member of the Pensions board does not have a conflict of interest and
- from time to time, that none of the members of the Pensions Board has a conflict of interest

Each member or proposed member of a Pensions Board must provide such information as is reasonably required for the purposes of reviewing actual or potential conflicts of Pensions Board members.

A conflict of interest may arise when Pensions Board members must fulfil their statutory role of assisting the scheme manager in securing compliance with the scheme regulations, other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator or with any other matter for which they are responsible, whilst having a separate personal interest (financial or otherwise), the nature of which gives rise to a possible conflict with their statutory role.

View of Secretary of State

The Secretary of State for the Environment has previously indicated that administering authorities should pay due regard to the principle contained in Roberts v Hopwood in exercising their duties and powers under the regulations governing the investment and management of funds. In that case, Lord Atkinson said:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly businesslike manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons, the body stands somewhat in the position of trustees or managers of others."

Members and Officers' Knowledge and Skills

Member and officer knowledge and skills is recognised as important, and a range of measures are in place to equip members to undertake their role.

This is a major factor in the governance arrangements of the Fund in ensuring Committee and Pensions Board members and officers have the relevant skills and knowledge. The Fund applies the CIPFA Knowledge and Skills Framework to achieve this objective and meets the legislative requirements set out in the Public Service Pensions Act 2013.

Framework

Six areas of knowledge and skills have been identified as core technical requirements for those associated with LGPS pension funds:

- pensions legislation and governance context
- pension accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and products knowledge
- actuarial methods, standards and practices

It is not the intention that Committee members should individually become technical experts, but collectively they have the ability, knowledge and confidence to question and challenge the information and advice they are given, and to make effective and rational decisions.

Officers advising members and implementing decisions should have a more detailed knowledge appropriate to their duties.

Officers are expected to demonstrate their professional competency against the framework through appropriate 'continuing professional development' (CPD) arrangements'.

The Fund has an approved trustee and Pension Board member training policy, and includes in its annual report and accounts details of the knowledge and skills development undertaken by its these members. The Fund also has in place effective training monitoring and is able to demonstrate

- how the framework has been applied
- what assessment of training needs has been undertaken
- what training has been delivered against the identified training needs

Representation of Other Interested Parties

The Fund is open to any organisation with a direct interest attending the regular committee meetings to observe proceedings, and the Fund will engage with employing bodies on significant issues affecting them so their views can be taken into account before a decision is made, eg, three-yearly actuarial valuations.

The Fund will provide information on its website and directly to employing bodies on issues in which they may have an interest.

The Pension Board is seen as the main area of involvement of active, deferred and pensioner members. The Fund does engage directly with individual members providing relevant information, the content determined by the responses to the information provided and requested.

Governance Compliance Statement

Origins of the Fund and Responsibilities

Following the 1974 reorganisation, all Council employees in the area (excluding teachers, police and fire officers) were members of the West Midlands Superannuation Fund with the former county council as administering authority. The 1986 reorganisation led to Wolverhampton Council becoming the administering authority for the Fund and local government employee pensions other than teachers, police and fire officers in the West Midlands. Responsibility for discharging the administering authority role is delegated to the Pensions Committee which has representatives from the district councils as the largest employers and four trade union representatives nominated from across the region.

The changes in responsibility for the delivery of Council services has seen a growing number of private sector firms and voluntary organisations becoming members of the Fund in respect of the workforce that delivers public services with the largest employer group being academies. The LGPS regulations set out the responsibilities of the key parties which are summarised below. Further details are available on the Fund's website where operational and management arrangements are set out.

The administering authority (the City of Wolverhampton Council):

- Collects employer and employee contributions.
- Invests surplus monies in accordance with the regulations and agreed strategy.
- Ensures that cash is available to meet liabilities as and when they fall due.
- Manages the valuation process in consultation with the Fund's actuary.
- Prepares and maintains an FSS (Funding Strategy Statement) and an SIP (Statement of Investment Principles), both after consultation with interested parties.
- Monitors all aspects of the Fund's activities and funding.

The administering authority discharges its responsibilities with the active involvement from the major employers, the district councils and trade union representatives combined with consultation with other interested parties.

The individual employers:

- Deduct contributions from employees' pay.
- Pay all contributions as determined by the actuary, promptly by the due date.
- Exercise discretions within the regulatory framework.
- Make additional contributions in accordance with agreed arrangements in respect of, for example, early retirement funding strain.
- Notify the administering authority promptly of all changes to membership, or as may be proposed, which affect future funding.
- Discharge their responsibility for compensatory added years which the administering authority pays on their behalf and is subsequently recharged to them.

The Fund's actuary:

- Prepares valuations including the setting of employers' contribution rates after agreeing assumptions with the administering authority and having regard to the FSS.
- Sets employers' contribution rates in order to secure the Fund's solvency having regard to the aims of maintaining contribution rates that are as constant as possible.

Compliance and Best Practice

The Fund is required to publish a compliance statement under Regulation 73A of the Local Government Pension Scheme Regulations and review that statement on an ongoing basis under Regulation 31 of the 2008 Regulations. There is also a requirement to declare their compliance in meeting the guidance given by Secretary of State.

The Fund aims to comply fully with the guidance given by the Secretary of State and relevant guides produced by CIPFA.

The West Midlands Integrated Transport Authority

In addition to the management and administration pensions on behalf of the local authority employers within the West Midlands, the Fund also undertakes this role on behalf of the West Midlands Integrated Transport Authority (WMITA) by delegation under S101 of the Local Government Act 1972.

The governance arrangements set out in this policy apply to the Fund's management of the WMITA Fund also with the additional requirement to report back to WMITA once a year.

ITA Committee Membership

Summary of Attendance at Committee Meetings 2014/15 (Pension Fund and Bus Shelter Appeals Committee)
1 April 2014 to 12 May 2014

Name	12 May 2014	Total attended
Councillor Alden	Y	1 of 1
Councillor Cotterill	Y	1 of 1
Councillor Ditta	Y	1 of 1
Councillor Hamilton	N	0
Councillor Hartley	N	0
Councillor Hughes	Y	1 of 1
Councillor Miks	Y	1 of 1

The last meeting of the Pension Fund and Bus Shelter Appeals Committee was held on the 12 May 2014. From 10 November 2014, the Finance, Delivery and Performance Monitoring Committee took responsibility for pension matters.

Governance Compliance Statement

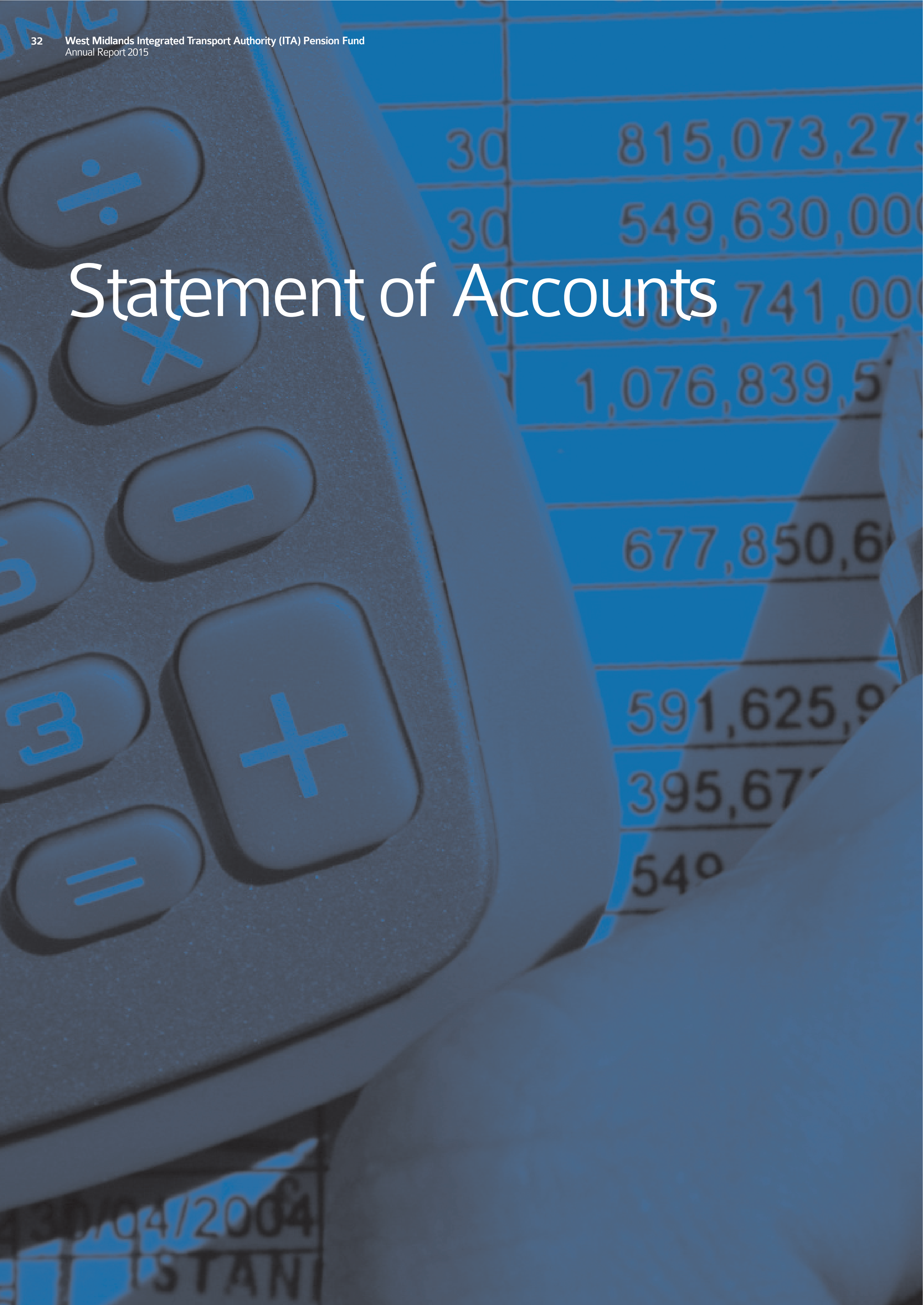
Summary of Attendance at Committee Meetings 2014/15 (Finance, Delivery and Performance Monitoring Committee)

Name	10 November 2014	12 January 2015	9 March 2015	Total attended
Councillor Azim (substituting for Zada)	Y			1 of 3
Councillor Barrie	Y	Y	Y	3 of 3
Councillor Clarke				0
Councillor Claymore	Y			1 of 3
Councillor Cruise	Y	Y		2 of 3
Councillor Eaves	Y	Y	Y	3 of 3
Councillor Evans	Y	Y		2 of 3
Councillor Hartley (substituting for Claymore)		Y		1 of 3
Councillor Hughes	Y			1 of 3
Councillor McNicholas	Y	Y		2 of 3
Councillor Robinson	Y	Y	Y	3 of 3
Councillor Worrall	Y	Y	Y	3 of 3
Councillor Zada				0

Committee members are advised to target three days of training each year as part of their commitment to good scheme governance, which may comprise structured training and participating in conference or alternate training opportunities. However, the work of the Finance, Delivery and Performance Monitoring Committee covered a wide area of responsibility including pensions administration and members did not report training on individual topics. Responsibility for pension matters has been delegated to the West Midland Pension Fund with effect from April 2015.

An induction course was held on Monday 12 January 2015 and the following trustees attended:

- Councillor Cruise
- Councillor Eaves
- Councillor Evans
- Councillor Hughes
- Councillor McNicholas
- Councillor Robinson
- Councillor Worrall
- Councillor Zada



Statement of Accounts

Statement of Accounts

Independent Auditor's Statement to the Members of West Midlands Integrated Transport Authority on the Pension Fund Financial Statements Included in the Pension Fund Annual Report

We have examined the pension fund financial statements of West Midlands Integrated Transport Authority for the year ended 31 March 2015 under the Audit Commission Act 1998, which comprise the fund account, the net assets statement and the related notes.

This statement is made solely to the members of West Midlands Integrated Transport Authority, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our work has been undertaken so that we might state to the members of the authority those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our work, for this report, or for the opinions we have formed.

Respective Responsibilities of Treasurer and Auditor
As explained more fully in the Statement of the Treasurer's Responsibilities, the Treasurer is responsible for the preparation of the pension fund's financial statements, in accordance with applicable law, proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view.

Our responsibility is to state to you our opinion on the consistency of the pension fund financial statements included in the pension fund annual report with the pension fund financial statements included in the Statement of Accounts of West Midlands Integrated Transport Authority, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition we read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of Introduction and Explanatory Foreword, Management and Financial Performance, Investment Policy and Performance, Scheme Administration Report, Actuarial Report, Governance Arrangements, Pensions Administration Strategy, Funding Strategy Statement, Statement of Investment Principles, Communications Policy Statement and The Compliance Statement.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's annual Statement of Accounts describes the basis of our opinion on those financial statements.

Opinion
In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included within the annual Statement of Accounts of West Midlands Integrated Transport Authority for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Grant Thornton UK LLP
Chartered Accountants
Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

Date: 13 July 2015

Statement of Accounts

Statement of Responsibilities for the Pension Fund Accounts

The Integrated Transport Authority's Responsibilities
The Authority is required:

i) To make arrangements for the proper administration of the financial affairs of the ITA Pension Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer.

ii) To manage the affairs of the ITA Pension Fund to secure economic, efficient and effective use of resources and safeguard its assets.

The Treasurer's Responsibilities
The Treasurer to the Authority is responsible for the preparation of the ITA Pension Fund Statement of Account which is required to present fairly the financial position of the ITA Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2015.

In preparing this Statement of Account, the Treasurer has confirmed that:

- suitable accounting policies have been adopted and then applied consistently;
- judgements and accounting estimates have been made which were reasonable and prudent;
- they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code);
- proper accounting records have been kept and are up to date;
- reasonable steps were taken for the prevention and detection of fraud and other irregularities.

Certification of the Accounts
I certify that the Statement of Account presents fairly the position of the West Midlands Integrated Transport Authority Pension Fund at 31 March 2015 and the financial transactions for the year ended 31 March 2015.

James Aspinall
Treasurer to the Integrated Transport Authority
Date: June 2015

Approval of the Accounts
I certify that the Statement of Accounts has been approved by a resolution of the Transport and Delivery Committee on 13 July 2015.

Councillor Richard Worrall
Chairman to the Transport and Delivery Committee
Date: 13 July 2015

Statement of Accounts

Fund Account and Net Assets Statement

2013/14 £'000		Notes	2014/15 £'000
	Dealings with members, employers and others directly involved in the Fund		
(10,493)	Contributions	5	(10,125)
-	Transfers in from other pension funds	6	(4)
(2,788)	Other employer contributions	7	(1,991)
(13,281)			(12,120)
27,279	Benefits	8	28,364
29	Payments to and on account of leavers	9	34
6	Other payments	10	4
321	Administration expenses	11	194
27,635			28,596
14,354	**Net withdrawals from dealing with members**		**16,476**
	Returns on investments		
(17,321)	Investment income	12	(17,267)
(5,586)	(Profits) and losses on disposal of investments and changes in the market value of investments	14	(24,113)
25,180	(Increase)/decrease in value of bulk annuity insurance buy-in	15	(18,900)
549	Investment management expenses	13	678
2,822	**Net return on investments**		**(59,602)**
17,176	**Net (increase)/decrease in the net assets available for benefits during the year**		**(43,126)**
448,936	Net assets of the Fund brought forward		431,760
431,760	**Net assets of the Fund carried forward**		**474,886**

31 March 2014 £'000		Notes	31 March 2015 £'000
183,319	Investment assets	14	211,418
244,820	Bulk annuity insurance buy-in	15	263,720
4,210	Current assets	16	1,027
(589)	Current liabilities	17	(1,279)
431,760	**Net assets of the Fund available to fund benefits at the period end**		**474,886**

These financial statements replaced the unaudited financial statements certified by James Aspinall on 28 May 2015. These were approved for issue by the Transport Delivery Committee on 13 July 2015. Events after the balance sheet date have been considered up to the date of approval.

Statement of Accounts

Notes to the Accounts

1) Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position at the year end as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority accounting in the United Kingdom 2014/15 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis is disclosed in note 22 of these accounts.

2) Summary of Significant Accounting Policies

Fund Account – Revenue Recognition

a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

b) Transfers To and From Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid.

c) Investment Income

i) *Interest income*
Interest income is recognised in the Fund as it accrues using the effective rate of the financial instrument as at the date of acquisition or origination.

ii) *Distributions from pooled funds*
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) *Movement in the net market value of investments*
Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

iv) *Benefits underwritten*
The annuity purchased (see note 15) is treated in the accounts as an investment. Any income arising from this insurance contract to cover benefits underwritten is recognised in the Fund as investment income on an accruals basis.

Fund Account – Expense Items

d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

i) *Value added tax*
The Fund pays VAT collected on income in excess of VAT payable on expenditure to HMRC. The accounts are shown exclusive of VAT.

ii) *Income tax*
The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted.

Statement of Accounts

Notes to the Accounts

f) Administration Expenses
All administration expenses are accounted for gross on an accruals basis.

The pension administration recharge from the City of Wolverhampton Council is calculated on a historical cost basis based on the proportion of time spent by the council's in-house pensions administration team on the Fund's activities.

g) Investment Management Expenses
All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers are agreed in the respective mandates governing their appointments. Each investment manager receives a fee for their service based on the market value of the assets they manage on the Fund's behalf. All managers have a specific target return against a benchmark.

The costs of the in-house Fund management team are recharged to the Fund by the City of Wolverhampton Council on the same basis as the administration expenses recharge.

Net Assets Statement

h) Financial Assets
The Fund's financial assets include debtors (mainly contributions due from members and employers), cash and cash equivalents, investment assets and bulk annuity insurance buy-in. Such financial assets are recognised initially at cost.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Debtors are recognised and carried at invoice or contract value less an allowance for any amounts which may not be collectable. Should such an amount become uncollectable, it is written off to the Fund account in the period in which it is recognised.

Investment assets are recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. Subsequent to initial recognition investment assets and the insurance buy-in are measured at fair value with any gains or losses arising from changes in the fair value of the asset recognised by the Fund.

The values of investments and the insurance buy-in as shown in the net assets statement have been determined as follows:

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published. In the case of pooled investment vehicles that are accumulation funds, change in market value are based on the difference between holding value at the beginning of the year or purchase price to the year end. Income that is reinvested in the Fund is net of applicable withholding tax, and is treated as a purchase, with changes in the market value of the investment based on any increment or reduction from the date of purchase

Diversified growth funds invest in a variety of liquid assets. The value of the underlying assets are derived from several sources including the use of quoted market prices and valuation techniques used by external managers based on significantly observable market data.

The Fund's actuary provides a valuation of the bulk annuity insurance buy-in based on the original value 'rolled forward' subject to actuarial assumptions being applied. On a triennial basis, the value of the buy-in will be revised based upon the detailed outcomes of the actuarial valuation exercise, with the value being 'rolled forward' in the intervening years.

The value of the buy-in is derived by mapping projected cashflows to a yield curve (based on market returns on UK government gilt stocks and other instruments of varying durations) in order to determine a market consistent gilt yield for the profile and duration of the buy-in beneficiaries, alongside other demographic assumptions consistent with the 2013 valuation of the Fund.

i) Financial Liabilities
Financial liabilities include amounts due for benefits and administration/investment expenses. These creditors are recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the Fund account in the period in which it is recognised.

j) Foreign Currency Transactions
The Fund has no financial assets denominated in foreign currencies. Equities held overseas are valued in sterling at source.

Statement of Accounts

Notes to the Accounts

k) Actuarial Present Value of Promised Retirement Benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 22).

l) Additional Voluntary Contributions
The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance Company and Equitable Life as its AVC providers (new AVCs only with Prudential Assurance Company). AVCs collected are paid to the AVC providers by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (note 18).

3) Critical Judgements in Applying Accounting Policies

Pension Fund Liability
The ITA Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 21. This estimate is subject to significant variances based on changes to the underlying assumptions.

4) Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty

The financial statements contain estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the financial statements for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Pension Fund Liability
Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on ITA Pension Fund assets. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next actuarial valuation and will require a subsequent contribution adjustment to bring the funding back into line with target.

The effects on the net pension liability and funding level of changes in individual assumptions have been measured by the Fund's actuaries.

Statement of Accounts

Notes to the Accounts

The effect on the pension liability of changes in individual assumptions can be illustrated as follows:

Change in assumptions – year ended 31st March 2015	Approx % increase in liabilities	Approx monetary value £m
0.5% p.a. decrease in discount rate	8%	44
One-year increase in member life expectancy	2%	11
0.5% p.a. increase in salary increase rate	1%	4
0.5% p.a. increase in CPI inflation	7%	41

Bulk Annuity Insurance Buy-In

As detailed in note 15, a bulk annuity insurance buy-in was put in place during 2012/13. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities relating to West Midland Travel Limited pensioners on the pension payroll at 11 August 2011 in return for the payment of a premium.

The value of the buy-in is recalculated at each year end by the consulting actuary. The value as at 31 March 2015 is based on the roll-forward of the actuarial valuation as at 31 March 2013 and adjusted for estimated pension payments and discount rate.

The main reason for the increase in the valuation of the buy-in asset from 31 March 2014 to 31 March 2015 was the significant fall on gilt yields over the year, which are used to determine the discount rate underlying the asset valuation. The yields fell from 3.1% p.a. to 1.95% p.a. based on a duration profile relevant to the buy-in membership. Had there been no change in the yields over the year we would have expected to have seen the asset valuation fall. In isolation, the change in the yields served to increase the value of the buy-in asset by approximately £29m.

The key underlying inputs for the buy-in valuation are the discount rate and life expectancy. The impact of changes in these is shown below:

Change in assumptions – year ended 31st March 2015	Approx % increase in liabilities	Approx monetary value £m
0.5% p.a. decrease in discount rate	5%	14.5
One-year increase in member life expectancy	3%	8.3

5) Contributions Receivable

2013/14 £'000		2014/15 £'000
	Employers	
3,046	Normal contributions	3,232
5,900	Deficit funding	5,850
466	Early retirement costs	43
9,412		9,125
	Members	
1,076	Normal contributions	996
5	Additional contributions	4
1,081		1,000
10,493	**Total by category**	**10,125**
	Analysed by member body:	
10,493	Admitted bodies	10,125
10,493	**Total by authority**	**10,125**

Following the 31 March 2013 valuation, employers' contributions for the period from 1 April 2014 to 31 March 2017 have been set at 21.5% (normal contributions) plus £5,500,000 deficit funding for West Midlands Travel Limited and £350,000 deficit funding for Preston Bus Limited (see note 21 for details).

6) Transfer In from Other Pension Funds

2013/14 £'000		2014/15 £'000
	Transfers in	
-	Individual transfers	4
-	**Total**	**4**

7) Other Employer Contributions

Payments of £2.957m (2014: £2.788m) were made by West Midlands Passenger Transport Executive. The payments are made on a monthly basis to the West Midlands Pension Fund who then make the payment into the Fund. The amount relates to the unfunded element of members' annual pension increase.

This amount has been offset by £966k following a trueing-up exercise conducted by the Fund's actuary following a review of payments made. The effect of this is that other employer contributions now net to £1.991m.

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8) Benefits Payable

2013/14 £'000		2014/15 £'000
	Pensions	
21,552	Retirement pensions	22,356
1,615	Widows' pensions	1,709
17	Children's pensions	16
14	Widowers' pensions	17
23,198		24,098
3,863	Commutation and lump-sum retirement benefits	3,917
228	Lump-sum death benefits	358
(10)	Benefits recharged - compensatory added years	(9)
27,279	**Total by category**	**28,364**
	Analysed by member body:	
27,279	Admitted bodies	28,364
27,279	**Total by authority**	**28,364**

9) Payments To and On Account of Leavers

2013/14 £'000		2014/15 £'000
	Transfers out	
29	Individual transfers out to other schemes and personal pensions	34
29	**Total**	**34**

10) Other Payments

2013/14 £'000		2014/15 £'000
6	Interest on late payments	4
6	**Total**	**4**

11) Administrative Expenses

2013/14 £'000		2014/15 £'000
120	Administration - City of Wolverhampton Council	120
34	Administration and accountancy - ITA	33
8	Subscriptions	8
138	Actuarial fees	14
21	Audit fees	19
321	**Total**	**194**

12) Investment Income

2013/14 £'000		2014/15 £'000
1	Interest on cash deposits	-
17,320	Benefits underwritten	17,267
17,321	**Total**	**17,267**

The investment income relates to income received from the insurance contract with Prudential meeting the liabilities relating to West Midlands Travel Limited pensioners on the pension payroll at 11 August 2011.

13) Investment Management Expenses

2013/14 £'000		2014/15 £'000
480	Management fees - external	567
30	Management fees - in house	30
6	Performance monitoring service	6
9	Legal fees	5
22	Professional advisors' fees	68
2	Bank charges and interest	2
549	**Total**	**678**

No performance fees were incurred in the year ended 31 March 2015 (2014 - £ nil).

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14) Investments

Reconciliation of movements in investments:

Movements during 2014/15	Market value 1 April 2014 £'000	Purchases during the year £'000	Sales during the year £'000	Management fees deducted £'000	Change in market value during the year £'000	Market value 31 March 2015 £'000
Pooled investment vehicles						
Unquoted:						
UK - unitised insurance policies	52,472	5,350	(8,869)	-	7,291	56,244
Overseas - unitised insurance policies	64,567	7,325	(7,300)	-	11,197	75,789
Quoted:						
Diversified growth funds	66,280	43,600	(35,906)	(215)	5,626	79,385
Total investments	**183,319**	**56,275**	**(52,075)**	**(215)**	**24,114**	**211,418**

Prior-year comparatives:

Movements during 2013/14	Market value 1 April 2013 £'000	Purchases during the year £'000	Sales during the year £'000	Management fees deducted £'000	Change in market value during the year £'000	Market value 31 March 2014 £'000
Pooled investment vehicles						
Unquoted:						
UK - unitised insurance policies	52,338	-	(353)	-	487	52,472
Overseas - unitised insurance policies	63,222	353	(2,800)	-	3,792	64,567
Quoted:						
Diversified growth funds	61,649	3,500	-	(176)	1,307	66,280
Total investments	**177,209**	**3,853**	**(3,153)**	**(176)**	**5,586**	**183,319**

Purchases include transfers in of investments, corporate actions, increases in cash deposits and increases in net settlements due. Sales proceeds include all receipts from sales of investments, transfers out of investments, corporate actions, reductions in cash deposits and reductions in net settlements due. The change in market value of investments during the year comprises all increases and decreases in the market value of investments held including profits and losses realised on sales of investments during the year.

Investments analysed by fund manager:

31 March 2014 Market value £'000	31 March 2014 % of total fund		31 March 2015 Market value £'000	31 March 2015 % of total fund
117,039	64%	Legal and General Investment Management	132,033	62%
33,347	18%	Baillie Gifford	39,288	19%
32,933	18%	Barings	-	-
-	-	Newton	40,097	19%
183,319	100%		**211,418**	100%

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Investments analysed by security:

31 March 2014 Market value £'000	31 March 2014 % of total fund		31 March 2015 Market value £'000	31 March 2015 % of total fund
		UK equities		
11,697	6%	UK Equity Index	8,153	4%
11,697	6%		8,153	4%
		Overseas equities		
20,638	11%	Europe (ex UK) Equity Index	21,149	10%
22,420	12%	North America Equity Index	25,412	12%
6,431	4%	Japan Equity Index	9,106	4%
8,675	5%	World Emerging Markets Equity Index	12,005	6%
6,402	4%	Asia Pacific (ex Japan) Dev Equity Index	8,117	4%
64,566	36%		75,789	36%
		Gilts and bonds		
18,062	10%	All Stocks Index-Linked Gilts	24,402	12%
19,006	10%	Active Corporate Bond - All Stocks	23,689	11%
3,708	2%	All Stocks Gilts Index	-	0%
40,776	22%		48,091	23%
		Diversified growth funds*		
33,347	18%	Baillie Gifford	39,288	18%
32,933	18%	Barings	-	0%
-	0%	Newton	40,097	19%
66,280	36%		79,385	37%
183,319	**100%**	**Total market value**	**211,418**	**100%**

*Diversified growth funds are multi-asset portfolios that are designed to provide equity type returns but with less volatility than an equity fund. All tactical asset allocation decisions are undertaken by the manager to suit the prevailing market conditions.

As part of its risk management arrangements, the Fund uses pooled investment vehicles and has no direct shareholding in companies.

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15) Bulk Annuity Insurance Buy-In

As an integral part of its risk management and reduction strategy, the ITA, in 2011, approved a bulk annuity insurance buy-in and, following a comprehensive procurement process, the policy was put in place on 18 April 2012 with Prudential Retirement Income Limited (Prudential). The insurance cover provides that the insurer underwrites the risk for meeting the liabilities relating to West Midlands Travel Limited pensioners on the pension payroll at 11 August 2011.

Benefits recharged to Prudential during the year have been credited to the Fund account and the buy-in recognised in the net assets statement as follows:

31 March 2014 £'000		31 March 2015 £'000
270,000	Opening market value of buy-in contract	244,820
(25,180)	Increase/(decrease) in value	18,900
244,820	**Closing market value**	**263,720**

The increase in the value of the buy-in for the year ended 31 March 2015 was due to the significant fall in gilt yields over the year which are used to determine the discount rate underlying the asset valuation. The yields fell from 3.1% p.a. to 1.95% p.a. based on a duration profile relevant to the buy-in membership.

16) Current Assets

31 March 2014 £'000		31 March 2015 £'000
	Debtors	
103	Contributions due - employers	151
34	Contributions due - members	47
575	Sundry debtors	50
712		248
3,498	Cash balances	779
4,210	**Total**	**1,027**
	Analysis of debtors:	
239	Other local authorities and pension funds	-
473	Other entities and individuals	248
712	**Total**	**248**

17) Current Liabilities

31 March 2014 £'000		31 March 2015 £'000
65	Benefits payable	10
524	Sundry creditors	1,269
589	**Total**	**1,279**
	Analysis of creditors:	
214	Central government bodies	238
150	Other local authorities and pension funds	859
225	Other entities and individuals	182
589	**Total**	**1,279**

Within sundry creditors is an amount of £966k due to West Midlands Pension Fund following the pre-86 recharge true-up exercise carried out (see note 7).

18) Additional Voluntary Contributions

As well as joining the Fund, scheme members can pay into an additional voluntary contribution (AVC) scheme run by two AVC providers. Contributions are paid directly from scheme members to the AVC providers.

The contributions and the investments are not included within the Fund accounts, in line with regulation 4 (2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2009. The table below shows the activity for each AVC provider in the year.

2013/14			2014/15	
Equitable Life £'000	Prudential £'000		Equitable Life £'000	Prudential £'000
153	571	**Opening value of the Fund**	159	670
1	129	Income	1	125
(3)	(136)	Expenditure	(4)	(145)
8	106	Change in market value	9	69
159	**670**	**Closing value of the Fund**	**165**	**719**

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19) Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading, together with a comparison to their fair value. No financial assets were reclassified during the accounting period.

31 March 2014					31 March 2015			
Carrying amount £'000	Amortised cost £'000	Fair value £'000	Gains and losses/ interest income £'000		Carrying amount £'000	Amortised cost £'000	Fair value £'000	Gains and losses/ interest income £'000
				Financial assets				
				Designated at fair value through profit and loss				
183,319	-	183,319	5,586	- Investment assets	211,418	-	211,418	24,113
244,820	-	244,820	(25,180)	- Bulk annuity insurance - buy in	263,720	-	263,720	18,900
428,139	-	428,139	(19,594)		475,138	-	475,138	43,013
				Loans and receivables:				
712	712	-	-	- Debtors	248	248	-	-
3,498	3,498	-	-	- Cash balances	779	779	-	-
4,210	4,210	-	-		1,027	1,027	-	-
432,349	**4,210**	**428,139**	**(19,594)**	**Total financial assets**	**476,165**	**1,027**	**475,138**	**43,013**
				Financial liabilities				
(589)	(589)	-	-	- Creditors	(1,279)	(1,279)	-	-
(589)	**(589)**	**-**	**-**	**Total financial liabilities**	**(1,279)**	**(1,279)**	**-**	**-**

The following methods and assumptions were used to estimate fair values:

Debtors, cash balances and creditors approximate to their carrying amounts due to the short-term nature of these instruments. Investment assets are carried in the net assets statement at fair value. These all consist of pooled investment vehicles valued by the respective fund managers based on the bid market quotation of the relevant stock exchange of the individual investments making up the Fund portfolio.

The Fund's actuary provides a valuation of the bulk annuity insurance buy-in based on the original value 'rolled forward' subject to actuarial assumptions being applied. On a triennial basis, the value of the buy-in will be revised based upon the detailed outcomes of the actuarial valuation exercise, with the value being 'rolled forward' in the intervening years. The next valuation will take place as at 31 March 2016.

Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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The following table provides an analysis of the financial assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2015	**Quoted market price Level 1 £'000**	**Using observable inputs Level 2 £'000**	**With significant unobservable inputs Level 3 £'000**	**Total £'000**
Financial assets				
Financial assets at fair value through profit and loss	132,033	79,385	263,720	475,138
Total financial assets	**132,033**	**79,385**	**263,720**	**475,138**

Values at 31 March 2014	**Quoted market price Level 1 £'000**	**Using observable inputs Level 2 £'000**	**With significant unobservable inputs Level 3 £'000**	**Total £'000**
Financial assets				
Financial assets at fair value through profit and loss	117,039	66,280	244,820	428,139
Total financial assets	**117,039**	**66,280**	**244,820**	**428,139**

20) Pension Fund Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (ie, promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall ITA Pension Fund risk management programme which focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Responsibility for the Fund's risk management strategy rests with the Finance, Delivery and Performance Monitoring Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's activities. Policies are reviewed regularly to reflect changes in activity and in market conditions. Policies covering specific areas relating to the ITA Pension Fund are as follows:

Investment risk

In order to achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by matching assets to liabilities through the triennial actuarial valuation and an appropriate asset allocation.

During the year, excluding the bulk annuity buy-in, the Fund targeted a 73-79% exposure to equities as 'growth' assets and 21-27% to 'matching' assets, such as UK bonds or gilts which provide the best match for liabilities, ie, payments of benefits to members in future years. Risks in growth assets include market risk (the greatest risk), issuer risk and volatility, which are mitigated by diversification across asset classes, markets and sectors. Mitigating interest rate risk and inflation risk points to significant investment in bonds, but doing so at the expense of 'growth' assets may increase the costs of funding. 'Matching assets' backed by the UK Government are considered low risk, with corporate bonds carrying some additional issuer risk.

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Counterparty Risk
In deciding to effect any transaction for the Fund, considerable steps are taken to ensure that the counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorised and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration arrangements with regard to independent auditors, robust administration and accounting, relevant legal structure and experienced staff.

Legal agreements are implemented and continuous monitoring of counterparties is undertaken by Fund officers in relation to suitability and performance, in addition to compliance with regulatory and Fund-specific requirements.

Credit Risk
The Fund had no deposits with financial institutions as at 1 April 2014 or the 31 March 2015 in respect of temporary loans or other treasury management instruments. The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Compliance Manual. The policy specifies the cash deposit limit with each approved counterparty, as determined by a comprehensive scoring exercise undertaken by fund officers using specialist rating and market research data, which is reviewed on a regular basis.

Liquidity Risk
The Fund has a comprehensive daily cash flow management procedure which seeks to ensure that cash is available as needed. When additional deposits are required to meet future pension payrolls, cash is provided by one of the investment managers (in accordance with the asset allocation) who will liquidate a small proportion of assets under management as instructed by the Fund. Due to the cash flow management procedures and the liquidity of the assets held, there is no significant risk that the Fund will be unable to raise cash in order to meet its liabilities.

Currency Risk
Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Even though the Fund has no financial assets denominated in foreign currencies, it is exposed to currency risk on its overseas equity portfolio as the movement in value takes account of changes in exchange rates of the underlying investments.

The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

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Price Risk Sensitivity Analysis

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on funds' asset allocations. In consultation with the Fund's performance advisors, the Fund has determined that the following future movements in market price risk are reasonably possible based on 2014/15 closing values:

Asset type	Value £'000	% Change	Value on increase £'000	Value on decrease £'000
UK equities	8,153	17.2%	9,555	6,751
Overseas equities	75,789	17.2%	88,825	62,753
Total bonds	23,689	3.6%	24,542	22,836
Index linked	24,402	8.4%	26,452	22,352
Diversified growth funds	79,385	11.6%	88,594	70,176
Cash	779	4.5%	814	744
Total assets	**212,197**		**238,782**	**185,612**

The potential price changes on the 2013/14 closing values are shown below for comparison purposes:

Asset type	Value £'000	% Change	Value on increase £'000	Value on decrease £'000
UK equities	11,726	12.1%	13,146	10,307
Overseas equities	64,737	12.0%	72,519	56,954
Total bonds	22,799	5.3%	23,996	21,602
Index linked	18,113	7.6%	19,485	16,742
Diversified growth funds	66,280	7.9%	71,538	61,022
Cash	3,473	0.0%	3,474	3,472
Total assets	**187,128**		**204,158**	**170,099**

Interest Rate Risk and Sensitivity Analysis

The Fund's investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Carrying amount as at 31 March 2014 £'000	Change in year in the net assets available to pay benefits £'000	£'000	Asset type	Carrying amount as at 31 March 2015 £'000	Change in year in the net assets available to pay benefits £'000	£'000
	+100BPS*	-100BPS*			+100BPS*	-100BPS*
3,498	35	(35)	Cash and cash equivalents	779	8	(8)
40,776	408	(408)	Fixed interest securities	48,091	481	(481)
44,274	**443**	**(443)**	**Total change in assets**	**48,870**	**489**	**(489)**

*BPS – basis points

Regulatory Risk

These include any changes to pension regulations, eg, more favourable benefits packages and/or HMRC rules. In order to manage this risk, changes to regulations are continuously monitored.

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21) Funding Arrangements

In line with Local Government Pension Scheme (LGPS) Regulations 2013, the Fund's actuary (Mercer Human Resource Consulting) undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. As a result, employers' contributions have been adjusted from 1 April 2014.

The key elements of the funding policy are:

- to ensure the long-term solvency of the Fund, ie, that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and, ultimately, to the council tax payer from an employer defaulting on its pension obligations.

The results of the valuations as at 31 March 2010 and 31 March 2013 and the actuarial assumptions used are shown below and overleaf.

Valuation results	31 March 2013 Valuation	31 March 2010 Valuation
Funding target as % of existing and prospective liabilities	100%	100%
Common rate of employer's contributions (calculated using the attained age method)	21.5%	18.4%
Market value of the Fund	£449m	£382m
Actuarial value of the Fund	£563m	£453m
Funding level in relation to past service liabilities	84%	84%
Offset to allow for market changes after the valuation date*	(£28m)	n/a
Deficit in relation to past service	(£86m)	(£71m)

*Allows for impact on assets and liabilities

Valuation assumptions	2013 valuation Funding target	2010 valuation Funding target
Investment return pre-retirement	5.5% p.a.	7.0% p.a.
Investment return post-retirement (non-retired members)	3.5% p.a.	5.0% p.a.
Investment return (retired members - non buy-in)	3.5% p.a.	4.5% p.a.
Investment return (retired members - buy-in)	3.0% p.a.	n/a
Salary increases	2.6% p.a.	4.5% p.a.
Pension increases in payment	2.6% p.a.	3.0% p.a.
Retired members' mortality - base tables	CMI self-administered pensions schemes (SAPS) tables with scheme and member category specific adjustments	CMI self-administered pensions schemes (SAPS) tables with scheme and member category specific adjustments
Retired members' mortality - future improvements	CMI 2013 model methodology with 1.25% p.a. long-term trend	CMI 2009 model methodology with 1.0% p.a. long-term trend
Commutation assumption	50% of retiring members will take the maximum tax-free lump-sum available and 50% will take the standard 3/80ths cash sum	

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Following the 31 March 2013 valuation, employers' contribution rates for the period from 1 April 2014 to 31 March 2017 have been set at 21.5% plus £5,500,000 per annum for West Midlands Travel Limited. This is conditional on the provision of suitable guarantee arrangements being put in place relating to its participation in the Fund. These arrangements were approved by the Pension Fund Committee in May 2011 and continue to apply.

A rate of 0% plus £350,000 per annum was determined as the appropriate rate for Preston Bus Limited following the 31 March 2013 valuation. This followed the decision by Preston Bus Limited to opt out of the scheme in February 2006. The annual lump-sum only payment will continue to be paid in order to cover the past service default that has accrued.

If non-ill-health retirements exceed those provided for in the valuation, it may be necessary to review the employers' contribution rate. The funding method adopted is known as the 'attained age method' which is consistent with the funding objective and appropriate as the Fund is closed to new members and has an ageing membership profile.

The Fund's assets at 31 March 2015 valuation was £475m; of this £264m was in respect of the buy-in asset value with the remaining representing the Fund's invested assets.

22) Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see note 21). The actuary has also used valued ill health and death benefits in line with IAS 19. Demographic assumptions are the same as those used for funding purposes.

The actuarial present value of promised retirement benefits at 31 March 2015 was £562m (2014: £494m). The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

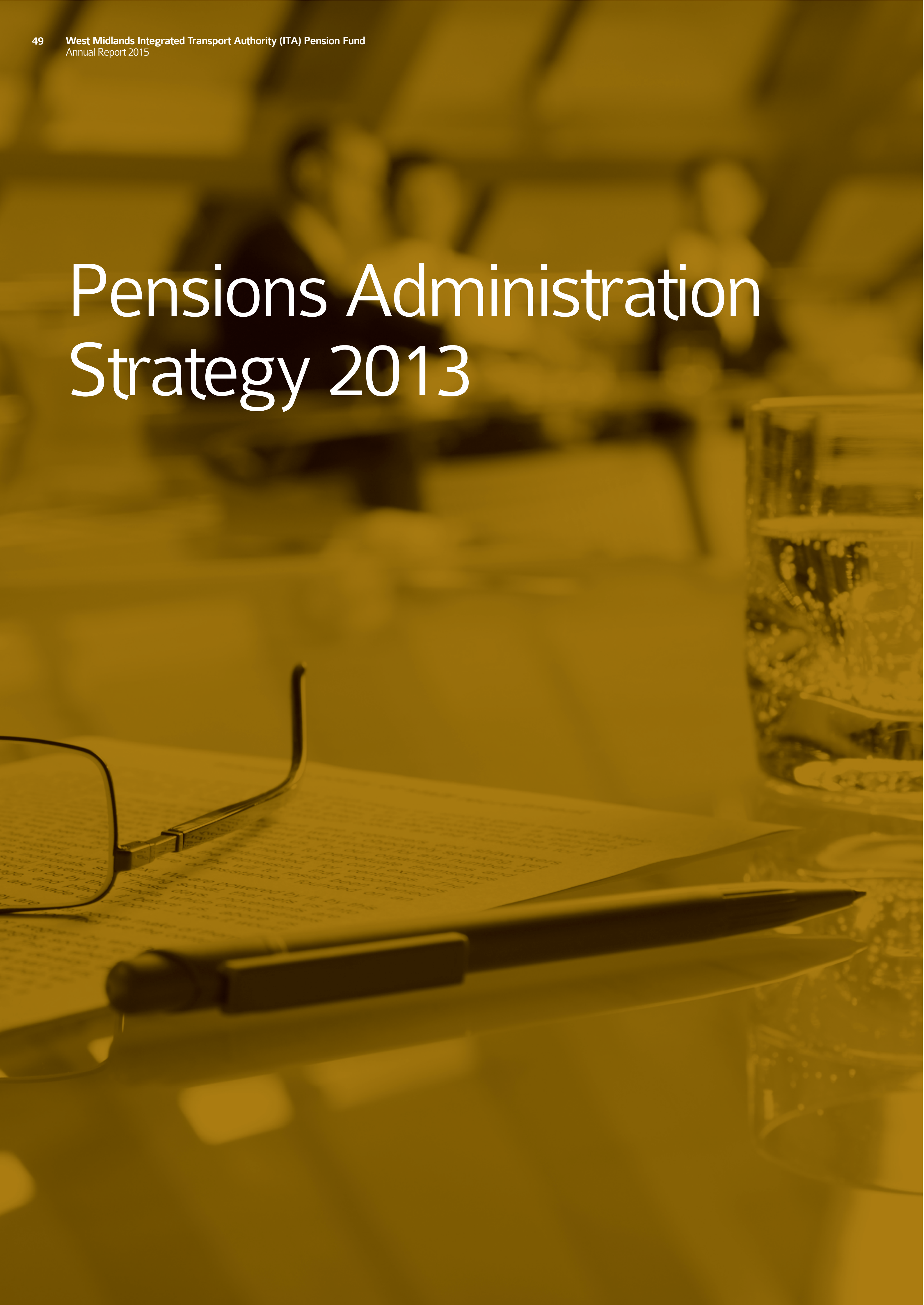
The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2013 triennial funding valuation (see note 21) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

31 March 2014	Assumptions used	31 March 2015
4.4%	Rate of return on investments (discount rate)	3.2%
2.4%	Rate of pay increases	2.0%
2.4%	Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.0%

23) Related-Party Transactions

West Midlands Passenger Transport Executive recharges administrative costs incurred to the Fund. These charges for the year ended 31 March 2015 are £33,000 (2014: £34,000), as detailed in note 11. There are no other related party disclosures, as none of the members of the Finance, Delivery and Performance Monitoring Committee (formerly the Pension Fund and Bus Shelter Appeals Sub-Committee) or the employees of the Fund's advisors and officers who hold key positions are members of the Fund.

Pensions Administration Strategy 2013



Pensions Administration Strategy 2013

This document sets out the framework of the Pensions Administration Strategy of West Midlands Pension Fund (the Fund) by outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high quality pensions administration service. The delivery of this service is a joint partnership arrangement between a number of different stakeholders, eg, the Fund and all employers and IT Services to meet the diverse requirements of the membership.

1) Introduction

The Local Government Pension Scheme (LGPS) Administration Regulations 2008 enables an administering authority to introduce an administration strategy for the purpose of improving administration performance within the LGPS fund (LGPS (Administration 2008 – Regulation 65)).

The strategy recognises the current and future administrative challenges faced by the Fund and all its employers. It contains proposals to implement new methods of communication with all our stakeholders and establish agreed levels of performance for all relevant stakeholders.

2) Compliance

This strategy is being developed in consultation with the seven major employers, and some amendments are currently incorporated in the additional documents which support the main strategy.

The content of the strategy will be reviewed annually by the Fund and changes agreed between employers. The document does not replace any dialogue between the Fund and employers as part of day-to-day 'business as usual' operational requirements.

3) Review

The Fund will review the strategy and make revisions as appropriate following a material change in policies which affect the content of the document. All employers will be consulted and informed of the changes.

4) Regulatory Framework

Regulation 65(1) of the LGPS (Administration) Regulations 2008 (formerly Regulation 76C of the Local Government Pension Scheme Regulations 1997) enables an LGPS administering authority to prepare a document, namely the Pensions Administration Strategy which details the following:

a) Administration standards

b) Performance measures

c) Data and workload charts, annual report on performance

d) Employer liaison and communication procedures

In addition, Regulation 43 of the (Administration) Regulations 2008 allows an administering authority to recover additional costs from an employing authority where they are directly relating to:

- level of performance of the employing authority
- extra costs incurred by the administering authority due to no data, poor quality data or the timeliness or data submitted by the employing authority.

5) Employer Relationship

The delivery of a high quality and cost-effective pension administration service is dependent upon the joint working relationship between the Fund and individuals within employing authorities, to ensure that all Scheme members and stakeholders receive the appropriate level of service and ensure that statutory requirements are met.

This partnership arrangement should encompass the following key activities:

a) Ensure an excellent working relationship between the Fund and appropriate staff within an employer, eg, HR, pensions teams, payroll teams and finance teams are established and maintained.

b) Ensure that standards and levels of service are maintained.

c) Ensure the timely submissions of data to the Fund by the employers, and jointly with the Fund, provide assurance with regard to data quality.

d) Ensure that details of all nominated employer signatories are correct, and notify the Fund of any changes immediately.

e) Assist and liaise with the Fund on promotional events and scheme (Fund) literature to increase knowledge about the overall benefits of LGPS to all members.

f) Inform the Fund of any alternative service arrangements which ensure equitable member access to the pension service.

Each employer is required to produce, publish and update a statement of policy regarding discretionary functions as part of the LGPS regulations. All employers must send the policy statement to the Fund including any regular revisions.

Any decisions undertaken by the employing authority which affect an employee's rights to membership or entitlement to benefits must be notified to the employee in writing. This will also include the implementation of auto-enrolment requirements.

All employing authorities are aware of the internal dispute resolution procedures (IDRP) and the requirements to nominate an officer who will liaise with the Fund during the stages of the procedure.

6) Communication

The Fund now has a dedicated secure web portal for all employers which is accessed by officers in the employing authorities via a unique username and password. The website is the main communication tool between employing authorities of the Fund.

The web portal will contain information on the procedures for administering the LGPS within the West Midlands and appropriate pension documentation as a means to submit data security.

In the future, it will also contain information on training activities and Fund events provided to employing authorities. Important information is also sent to the Fund to specific employing authority staff, but regular access to the website is advised.

An AGM will be held each year which will provide an opportunity to have regular face-to-face contact with major employers to ensure that issues are resolved and priorities shared.

Pensions Administration Strategy 2013

7) Financial Obligations

It is a requirement of the Pensions Act that all contributions are received by the Fund by the 19th of the month following their deduction from an employers payroll.

The correct employee contributions rate is determined at the 1 April each year by the employing authority in line with the appropriate contributions band. Changes to levels of employee contribution rates must be updated in the employing authorities' discretionary policy statement.

Each employing authority must pay all AVC employee deductions to the appropriate provider (Prudential) according to the agreement and no later than the 19th of the month following the deduction.

The Fund will provide a schedule of any recharge items in accordance with Regulation 44(1) to each employing authority and interest for late payment as detailed in Regulation 44(4) of the LGPS (Administration) Regulations 2008. The Fund has to be revalued every three years by the Fund actuary to determine the employers' contributions rates. Interim valuations also occur within the triennial cycle which are used to monitor the trend in ill-health and early retirements

8) Administration Standards

The service standards which the Fund will deliver to all scheme members will be in consultation with employing authorities, as it will be the key driver of the partnership arrangement.

The service standards are set out in Appendix 2.

The standards of data quality and the timeliness of these standards must take account of overriding legislation which assists both the Fund and employing authorities in administering the LGPS.

Currently, data quality is a major facet of delivering the pension service to members and stakeholders and as such both the Fund and employers must ensure that all activities, functions and tasks are undertaken to agreed quality standards:

a) Compliance with all legislative, regulatory and procedural requirements.

b) All employer information provided to the Fund must be authorised by the agreed signatory.

c) Information must be completed on the approval forms or in an agreed electronic format.

d) Information to be accurate and checked by the appropriate member of staff from the employing authority. The Fund does provide a secure email facility for the transfer of person identifiable data from employers. All employers should provide the Fund with year-end information to 31 March each year in an improved format by the 30 April in the valuation year and by 31 May in the other two years.

It remains the responsibility of the employing authority to ensure a complete and accurate data submission to the Fund within the timescales, even if the payrolls are contracted out to a third party or bureau. The appropriate information must be accompanied by a final statement certifying that the amounts reflect the contributions deducted from employees during the year.

9) Fund Performance

Since June 2012, the Fund has established a set of key performance indicators (KPIs) which drive the delivery of the service.

Key Performance Indicator	Target/In Working Days
Joiner triage	2
Joiners	8
Rejoiner	8
TV in quote	10
TV in actual	10
TV out quote	10
TV out quote actual	10
Retirement quote	10
Retirement actual	5
Death in service and death in deferment	10

Alongside the above measures, the Fund also monitors customer telephone calls (scheme members) and data quality from the employing authorities. All information is reported to Pensions Committee quarterly and is included in the annual report and accounts.

The Fund is subject to an annual audit of its processes, procedures and internal controls. Employers are expected to comply with any requests for information from the Fund's internal and external auditors by ensuring recommendations will be considered and, where appropriate, implemented with employing authority co-operation. The Fund strives to continually reduce its unit costs and, as such, we regularly monitor costs and service performance by benchmarking with other administering authorities as comparators. All details relating to the above will be published in the annual report and accounts.

An updated customer service strategy is currently being produced which will establish a programme of customer satisfaction surveys aimed at Fund members. The results will be published on the Fund's website.

10) Employer Performance

In consultation with employer authorities and as part of the Pensions Administration Strategy, the Fund will develop arrangements for reporting on all performance measures quarterly. The report will be published on the employer website and consolidated into one table for all employers within the Fund. This proactive approach will facilitate early engagement with employers and provide a regular mechanism for service members and recognition of best practice.

As part of the partnership arrangement between the Fund and employers, we will work closely together to identify areas where performance should be improved. The Fund will provide the necessary training to improve the service level for the future. In the event of no improvement in performance and/or remedial action by an employing authority the Fund will seek to recover any administrative costs.

Pensions Administration Strategy 2013

Additional costs incurred by the Fund include:

a) fines imposed by the Pensions Ombudsman/courts;

b) extra charges in respect of actuarial fees; and

c) additional printing and distribution costs.

11) Key Changes Proposed as Part of Consultation

The Fund will establish five key 'changes in circumstance' which will have customer implications and the decisions which need to be taken when determining the proposed service standard for each change. The proposed changes are:

- notification of new joiners;
- notification of leavers (deferred members);
- notification of forthcoming retirement;
- notification of death in service; and
- changes to member data.

It is believed that this approach will both improve the service to scheme members by focusing on the quality of employer data held by the Fund. In practical terms, it will assist employers with the identification of data issues

Pensions Administration Strategy 2013

Appendix 1
Local Government Pension Scheme (Administration) Regulations 2008 Regulation excepts related to Pension Administration Strategy documents

Pension administration strategy

65.—(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with employing authorities in relation to which it is the administering authority ('its employing authorities');

(b) the establishment of levels of performance which the administering authority and its employing authorities are expected to achieve in carrying out their scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters, or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its employing authorities comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its employing authorities to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its employing authorities under regulation 43(2) on account of that authority's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its employing authorities have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority, after consulting its employing authorities and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its employing authorities and such other persons as it considers appropriate.

(5) An administering authority must publish—

(a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

(6) When an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its employing authorities and to the Secretary of State.

(7) An administering authority and its employing authorities must have regard to the current version of any pension administration strategy when carrying out their scheme functions.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as an employing authority.

Pensions Administration Strategy 2013

Additional costs arising from employing authority's level of performance

43.—(1) This regulation applies where, in the opinion of the appropriate administering authority, it has incurred additional costs which should be recovered from an employing authority because of that employing authority's level of performance in carrying out its functions under these regulations or the benefits regulations.

(2) The administering authority may give written notice to the employing authority stating—

(a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);

(b) the authority's opinion that the employing authority's contribution under regulation 42(1)(d) should include an amount specified in the notice in respect of the additional costs attributable to that authority's level of performance;

(c) the basis on which the specified amount is calculated; and

(d) where the administering authority has prepared a pension administration strategy under regulation 65, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraph (a), (b) or (c).

Interest

44.—(1) An administering authority may require an administering or employing authority from which payment of any amount due under regulations 39 to 42 (employers' contributions or payments) or regulation 86 (changes of fund) is overdue to pay interest on that amount.

(2) The date on which any amount due under regulations 39 to 41 is overdue is the date one month from the date specified by the administering authority for payment.

(3) The date on which any amount due under regulation 42 (other than any extra charge payable under regulation 40 or 41 and referred to in regulation 42(1)(c)) is overdue is the day after the date when that payment is due.

(4) Interest due under paragraph (1) or payable to a person under regulation 45(5) (deduction and recovery of member's contributions), 46(2) (rights to return of contributions) or 51 (interest on late payment of certain benefits) must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.

(5) Interest on any amount due in respect of regulation 86 shall be calculated in accordance with guidance issued by the Government actuary.

N Perrins
August 2012

Pensions Administration Strategy 2013

Appendix 2
Administration Standards

New Starters	
Employer Responsibility	**Fund Responsibility**
To ensure that pensions information is included as part of any induction process.	To provide employers on request appropriate tools for induction purposes – literature and newsletters.
To provide each new employee with a pension information letter, either with the letter of appointment or within one month of starting work.	To update pension information booklets on line in accordance to regulatory changes.
To ensure that all employees subject to contractual admission are brought into the scheme from the date of appointment.	To accurately record and update member records on pension administration systems.
To assist the Fund in ensuring that all new starters complete form A1.	To review the A1 as a result of auto enrolment and bulk joiner data.
To complete form N1 or electronic templates and send to the Fund within four weeks of the employees first pay date.	To produce a membership certificate and forward to the member's home address, within ten working days of joining the scheme.
Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified.	To accurately record and update member records on pension administration systems within ten working days of receipt of documents.
To send the Fund a completed opt out form signed by any eligible employee subject to automatic entry, who do not wish to join, or elect to leave the scheme and to arrange a payroll refund of contributions to the employee with appropriate adjustments to tax and national insurance. To store a copy of the opt-out form with the employers' records for that employee.	To accurately record and update member records on pension administration systems within four weeks of receipt of document.

Change in Circumstances (Active Members)	
Employer Responsibility	**Fund Responsibility**
To ensure that the Fund is informed of any changes in the circumstances of employees on approved forms or by agreed electronic templates within four weeks of the change. Status: • Change of name • Marital status • National insurance number • National insurance category Conditions of service: • Contractual hours • Pensionable pay • Contribution rate • Department and payroll number • Date joined scheme (if adjusted) Absence: • Maternity and paternity leave • Paid and unpaid leave of absence (including details of contributions paid) • Industrial action (strikes) • Any other material period of absence	To provide forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically. To accurately record and update member records on pension administration systems within ten working days of notification or any shorter period as requested by the employer with regard to specific requirements.

Pensions Administration Strategy 2013

End-of-Year Data

Employer Responsibility	Fund Responsibility
To provide a year-end contribution return, and to ensure all errors and additional information are resolved within four weeks in a valuation year, eight weeks in the other two years.	To process employer year-end contribution returns within two months of receipt. To provide consolidated and grouped error reports for action by employers.

Valuation

Employer Responsibility	Fund Responsibility
To provide the Fund with up to date and correct information on members working hours, breaks in service and pensionable pay in accordance with agreed timescales.	To provide data to the Fund actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined and new cost-sharing arrangements applied.
To ensure that all errors highlighted from the annual contribution posting exercise are responded to and corrective action taken promptly.	To provide a copy of the valuation report and contributions certificate to each employer and answer any questions arising.

Annual Benefit Statements

Employer Responsibility	Fund Responsibility
To provide an initial point of contact (Pension Officer or helpline number) for handling queries – this will be printed on the annual benefit statements sent to members.	To produce annual benefit statements for all active members at financial year-end and post to members' home addresses.

Annual Benefits (AVCs)

Employer Responsibility	Fund Responsibility
To collect from employee payroll, contributions and to arrange the prompt payment directly to the appropriate provider according to the published schedule and to be no later than the 19th of the month following deduction.	To provide information and offer alternative scheme-negotiated providers that offer a portfolio of additional voluntary contribution (AVC) options. To review provision to ensure services offered are reasonable.

Annual Benefits (ARCs)

Employer Responsibility	Fund Responsibility
To collect from employee payroll, contributions and to arrange the prompt payment to the Fund, according to the published schedule and to be no later than the 19th of the month following the deduction.	To provide information and quotations to a Scheme member on the option of making additional regular contributions (ARCs)

Pensions Administration Strategy 2013

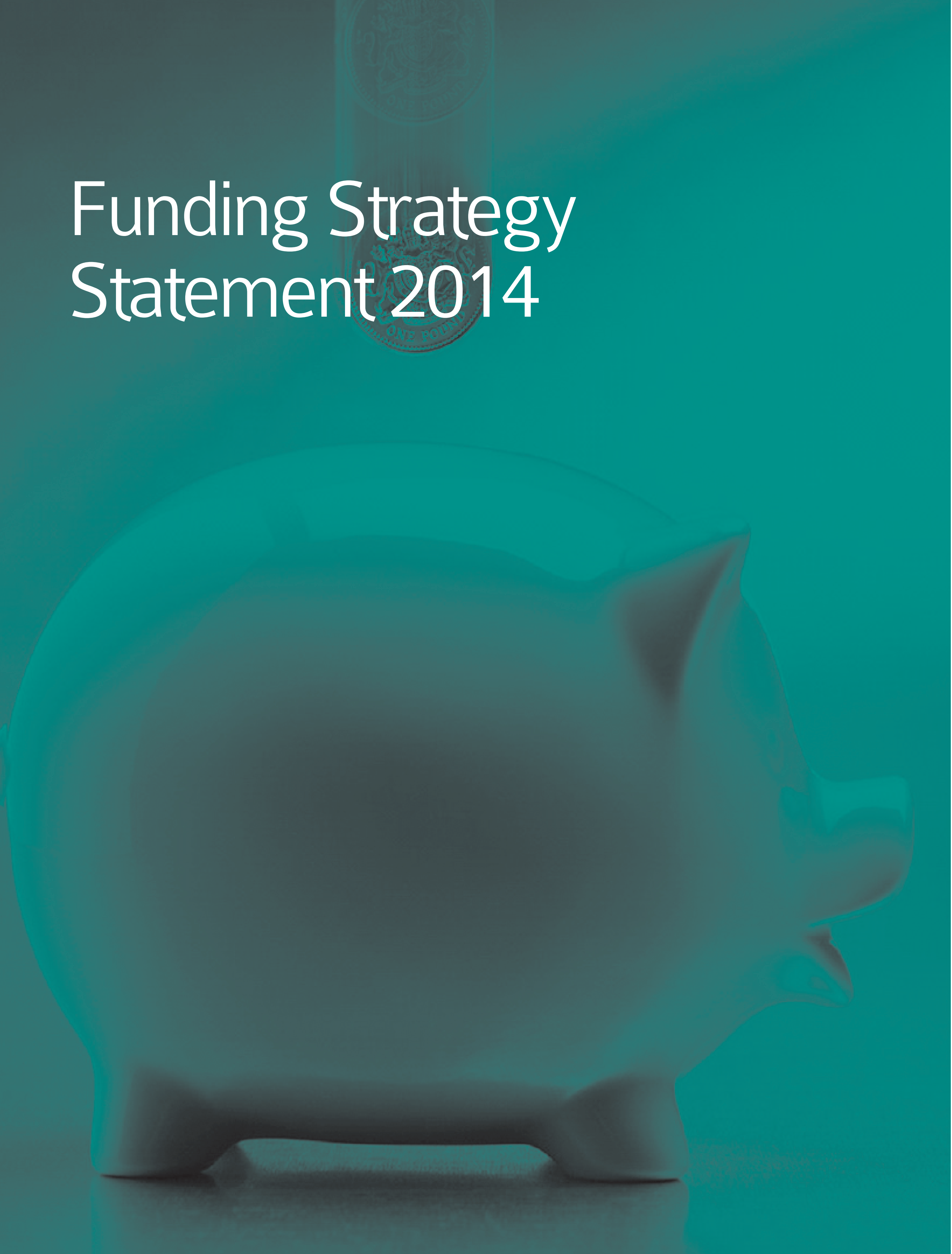
Members Electing to Opt Out of the Scheme More than Three Months	
Employer Responsibility	**Fund Responsibility**
To send the Fund a completed S4 opt out form signed by any eligible employees subject to automatic entry, who do not wish to join, or elect to leave the Scheme **after three months of appointment.**	To accurately record and update member records on pension administration systems within four weeks of receipt of document. Advise member of deferred benefits.

Retirement (Information)	
Employer Responsibility	**Fund Responsibility**
To provide members retiring with form RB1 & RB1(d) at least two months before retirement.	Pre-retirement events

Members Leaving Employment/Retiring	
Employer Responsibility	**Fund Responsibility**
To notify the Fund of an employee's date and reason for cessation of membership and all other relevant information on approved forms within four weeks of the event.	To accurately record and update member records on pension administration systems. To inform members who leave the scheme, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement.
If benefits are to be brought into payment on the member leaving their employment (ie, retirement, including flexible retirement) the employer is to notify the Fund, ideally in advance of the leaving date but **no later** than four weeks following the actual date of leaving to enable payments to be made promptly.	To notify member of their retirement options within ten working days. To pay the retirement lump sum within five working days of receipt of the completed option form.
To inform the Fund within four weeks of any changes affecting former employees, especially re-employment and retrospective pay awards.	To accurately record and update member records on pension administration systems within two months of the event.
To keep a record of all tier-3 ill-health retirements, particularly in regard the 18-month review of their gainful employment and any subsequent appointment with an occupational medical officer for a further medical certificate. To recover any overpayments of pension benefits following subsequent re-employment and notify the Fund.	To notify the employer of their legislative responsibility to review tier-3 ill-health cases at 18 months.

Death in Service	
Employer Responsibility	**Fund Responsibility**
To inform the Fund immediately on the death of an employee.	To assist employers and the next of kin in ensuring the pension options are made available and that the payment of benefits are expedited in an appropriate and caring manner.

Funding Strategy Statement 2014



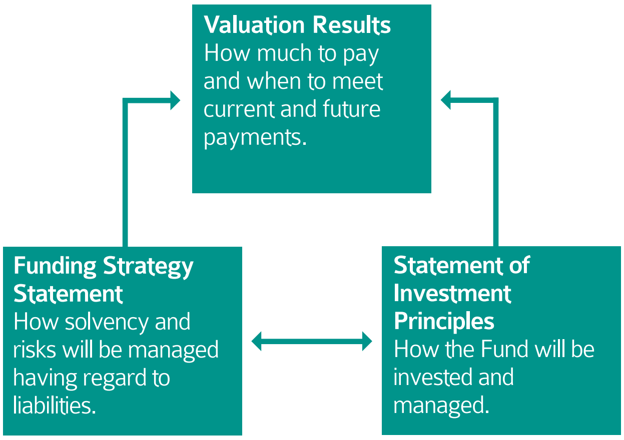
Funding Strategy Statement 2014

1) Introduction

1.1 The LGPS regulations require funds to produce a Funding Strategy Statement (FSS) having regard to the guidance produced by CIPFA. This statement has been drawn up by the West Midlands ITA Pension Fund in accordance with the regulations and following consultation.

1.2 The FSS complements and adds to the Statement of Investment Principles (SIP) which is a supporting document, alongside the actuarial valuation.

1.3 The statements relate as follows:



1.4 The Fund's actuary takes account of the FSS in his actuarial work for the Fund, most notably the actuarial valuation process.

1.5 The FSS reflects the statutory nature of the Local Government Pension Scheme (LGPS), particularly the defined benefit nature and the benefit payable guarantee. The FSS sets out how benefits will be funded over the long-term through an accountable, transparent process with full disclosure of relevant details and assumptions.

1.6 The scheme is a defined benefit arrangement with principally final salary-related benefits from contributing members up to 1 April 2014 and career-averaged revalued earnings (CARE) benefits earned thereafter. There is also the introduction of a '50/50 scheme option', where members can elect to accrue 50% of the full scheme benefits and pay 50% of the normal member contribution.

The benefits provided by the WMITAPF are specified in the governing legislation (the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) ('the BMC regulations') and the administration regulations. New legislation contained in the Local Government Pension Scheme Regulations 2013 ('the 2013 regulations') governs the WMITAPF from 1 April 2014. The required levels of employee contributions from 1 April 2014 are also specified in the 2013 regulations.

1.7 Against this background, the key considerations in determining the funding strategy, taking advice from the actuary, are:

a) the appropriate time period for targeting funding recovery taking into account the closed nature of the scheme, but also the ongoing nature of the sponsoring organisations;

b) the strength of covenant of the sponsoring organisations, their funding sources, and any guarantee arrangements in place.

1.8 A number of factors have contributed to the funding gap and contribution rates for employers:

a) investment returns relative to movement in liabilities;

b) increases in longevity of pensioners;

c) falling long-term interest rates.

1.9 Since the fund was established in 1991, there has been a consistent approach with the actuarial valuation process, the link to an investment strategy and balanced management of the risks. The current arrangements continue this approach, maintaining the trend of matching the investment strategy to the growing scheme maturity.

The critical element is securing investment market returns from the world markets. The Fund has a long record of achieving solid returns for all of its portfolios. The approach adopted is to ensure a priority is given to achieving at least a market return and as recommended best practice indicates, use asset allocation to deliver the overall investment target.

2) Purpose of the Funding Strategy Statement in Policy Terms

2.1 The purpose of this FSS is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' liabilities are best met going forward.
- to support the regulatory requirement to maintain employer contribution rates as nearly constant as possible.
- to take a prudent view of funding those liabilities.

2.2 Following the insurance buy-in, the Fund currently has a net cash inflow. The FSS supports the process of ensuring adequate funds are put aside on a regular basis to meet future benefit liabilities. The LGPS regulations specify the approach and requirements, the implementation of the funding strategy is the responsibility of the West Midlands ITA acting on expert advice and following consultation.

2.3 The FSS is a comprehensive strategy for the Fund. It balances and reconciles the many direct interests that arise from the nature of the Scheme and funding of the benefits now and in the future.

Funding Strategy Statement 2014

3) Background

3.1 The LGPS regulations require the administering authority to consult with such persons it considers appropriate in the maintenance and review of the FSS.

3.2 CIPFA provides further guidance that this must include meaningful dialogue at officer and elected member level with council tax-raising authorities and with corresponding representatives of participating employers.

3.3 Employers participating in the Fund have been consulted on the principles of this FSS, and consideration has been given to their views accordingly. The FSS represents a strategy for the Fund allowing for individual employers based on the advice of the Fund actuary.

3.4 In addition, the administering authority has had regard to the Fund's Statement of Investment Principles published in accordance with the LGPS regulations. Currently, the strategy is being reviewed in relation to the underlying portfolio structure for the PBL notional asset share and the SIP will be updated.

3.5 The Fund actuary, Mercer, has also been consulted in the contents of this FSS.

4) Aims and Purposes of the Pension Fund

4.1 The aims of the Fund are to:

- enable employer contribution rates to be kept at reasonable cost to the admitted bodies having regard to the liabilities.
- manage employers' liabilities effectively through regular review of contributions and additional contributions for early retirements which lead to a strain on funding.
- ensure that sufficient resources are available to meet all liabilities as they fall due.
- maximise the returns from investments within reasonable risk parameters.

4.2 The purpose of the Fund is to:

- receive and invest monies in respect of contributions, transfer values and investment income.
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses, as defined in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended), the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended), the 2013 regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

5) Responsibilities of the Key Parties

5.1 The LGPS regulations set out the responsibilities of the key parties which are summarised below.

5.2 The administering authority (West Midlands ITA):

- Collects employer and employee contributions.
- Invests surplus monies in accordance with the regulations and agreed strategy.
- Ensures that cash is available to meet liabilities as and when they fall due.
- Manages the valuation process in consultation with the Fund's actuary.
- Prepares and maintains an FSS and a SIP.
- Monitors all aspects of the Fund's performance and funding. Amends the FSS and SIP as appropriate.

The administering authority discharges its responsibilities in consultation with the two employers and working through a pension fund committee.

5.3 The individual employers:

- Deduct contributions from employees' pay correctly.
- Pay all contributions, including their own as determined by the actuary, promptly by the due date.
- Exercise discretions within the regulatory framework.
- Make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Scheme benefits and early retirement strain.
- Notify the administering authority promptly of all changes to membership, or as may be proposed, which affect future funding.
- Discharge their responsibility for compensatory added years.
- We will make significant progress in the transition to electronic data exchange with the submission of member data via bulk data imports (BDI).

5.4 The Fund's actuary:

- Prepares valuations including the setting of employers' contribution rates after agreeing assumptions with the administering authority and having regard to the FSS.
- Sets employer's contribution rates in order to secure the Fund's solvency having regard to the aims of maintaining contribution rates that are as constant as possible.
- Prepares advice and calculations in connection with bulk transfers and individual benefit-related matters.

6) Solvency Issues and Target Funding Levels

6.1 The Fund currently is mature and has a post-buy-in cash inflow and funding gap. It takes an appropriate cautious view on determining employing body contribution rates to meet future liabilities through operating a fund with individual employer investment strategies that reflect this view. It aims to allow short-term investment market volatility to be managed, so as not to cause volatility in employing body contribution rates.

6.2 The LGPS regulations require the long-term funding objectives to achieve and maintain assets sufficient to meet 100% of the projected accrued liabilities. The level of assets necessary to meet this 100% funding objective is known as the funding target. The role of the actuary in performing the necessary calculations and determining the key assumptions used is an important feature in determining the funding requirements. The approach to the actuarial valuation process and key assumptions used at each three yearly valuation are consulted upon, and the 2013 valuation report is the main consultation document; this FSS reflects this consultation.

Funding Strategy Statement 2014

Determination of the Funding Target and Recovery Period

6.3 The principle method and assumptions to be used in the calculation of the funding target are set out in the Appendix.

6.4 Underlying these assumptions are the following three tenets:

- That the Scheme is expected to continue for the foreseeable future over the run-off of the liabilities for current and former members; and
- Favourable investment performance can play a valuable role in achieving adequate funding over the longer term.
- The contributions reflect the employers' current financial strength including any separate guarantees in place.

6.5 As part of each valuation, separate employer contribution rates are assessed by the actuary for each participating employer. These rates are assessed, taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the employers in the scheme. In attributing the investment performance to each employer, consideration will be given to the underlying investment strategy adopted for that employer and the associated investment performance (notional or actual). Currently, the two employers have different underlying investment strategies, and this is expected to continue going forward.

6.6 The administering authority, following consultation with the participating employers,has adopted the following objectives for setting the individual employer contribution rates.

As part of this valuation, when looking to potentially stabilise contribution requirements, we will consider whether we can build into the funding plan the following:

- Some allowance for interest rates and bond yields to revert to higher levels over the medium- to long-term.
- Allowance for actual returns on investments post-31 March 2013, where applicable.
- Consideration of pre-existing agreements with individual employers relating to contributions, where applicable.

In considering this, the administering authority, based on the advice of the actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful.

- The deficit recovery plan for Preston Bus will be based on an overall recovery period of just over nine years.
- The deficit recovery plan for WMTL over 2014/17 will be based on the existing agreement with WMTL which was implemented following the setup of the buy-in policy in terms of maintaining deficit contribution levels to 31 March 2017. Deficit contributions from 1 April 2017 will therefore be considered further as part of the 2016 actuarial valuation in order to arrive at contribution levels acceptable to the Authority and WMTL if a suitable financial guarantee remains in place to the satisfaction of the administering authority.
- All early retirements (including those on the grounds of ill health) from the Fund will give rise to an additional charge to the employer, calculated on a case-by-case basis for each retirement.
- Employer contributions payable to the Fund include an element to cover the expected administrative costs involved, incurred by the administering authority. This expenses allowance will be expressed as annual £s amounts, allocated to each employer by reference to total membership.
- Deficit contributions will continue to be assessed and expressed as annual £s amounts.
- In addition to any deficit contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the 'normal' cost). The method and assumptions for assessing these contributions are also set out in the Appendix.

In determining the above objectives, the administering authority has had regard to:

- the responses made to the consultation with employers on the valuation,
- relevant guidance issued by the CIPFA Pensions Panel,
- the administering authority's views on the strength of the participating employers' covenants in achieving the objective.

7) Links to Investment Policy Set Out in the Statement of Investment Principles (SIP)

7.1 The Fund has, for many years after each actuarial valuation, taken professional advice in order to assist the process of formulating a strategic asset allocation. The outcome from the last exercise is reflected in the SIP. It will continue to be monitored by the Investment Sub-Committee which includes representatives from the Authority, employers and advisors.

8) The Identification of Risks and Countermeasures

8.1 Evaluating risks that may impact on the funding strategy and expectations of future solvency is crucial to determining the appropriate measures to mitigate those risks. The FSS identifies those key risks specific to the Fund and the measures being taken or assumptions made to counter those risks.

8.2 Some of the key risks taken into account and responses are:

Financial

- Unexpected market-driven events.
- Investment markets fail to perform in line with expectations.
- Market yields move at variance with assumptions.
- Investment fund managers fail to achieve performance targets over the longer term.
- Asset allocations in volatile markets may lock in past losses.
- Pay and price inflation significantly more or less than anticipated.
- The effect of a possible increase in employer's contribution rate on the employers' business outlook.
- Failure of Prudential to fulfil obligations under the buy-in policy.

Funding Strategy Statement 2014

The Fund undertakes a three yearly review of its investment strategy taking into account investment risk and future benefit payments to determine a bespoke investment strategy that for a variety of futureeconomic outcomes gives a higher degree of certainty that the investment objectives will be achieved. Short-term investment management decision to reflect anticipated market changes are strictly controlled against the investment strategy or benchmark.

Investment management briefs reflect the importance of capturing at least a market rate of return and minimising the risk of significantly underperforming an investment market. Further information is available in the SIP and on the Fund's website.

Demographic

- The longevity horizon of beneficiaries continues to expand.
- Cost of early retirements.

The Fund has in place policies and procedures to identify for employing bodies the impact of these factors and agrees how they will be managed in terms of annual contribution rates and/or as special additional contributions.

Regulatory

- Changes to regulations, eg, more favourable benefits package, potential new entrants to Scheme.
- Changes to national pension requirements, ie, via the national cost model and/or HMRC rules.

These changes agreed and proposed are evaluated and taken into account in the actuarial valuation and closely monitored between valuations in case any action is required.

Employers will make contributions to the Fund as cases are approved for early retirement and other employing body discretions that, when exercised, alter future liabilities.

Governance

- The administering authority is unaware of structural changes in an employer's membership (for example, large fall in employee members, large number of retirements).
- An employer ceasing to exist with insufficient funding or adequacy of a bond/guarantee.
- Changes in the level of covenant or guarantee arrangements provided by the employers to the Fund.

The Fund has established inter-valuation monitoring and working relations with its two employers to ensure changes are detected, discussed, evaluated and appropriate action agreed. This includes regular reviews of funding levels, and the assessment of the financial standing of employers and any guarantee arrangements in place.

The Fund’s approach to the outcome of the 2013 valuation has had regard to balancing the needs of funding the liabilities and the cost to the employers, taking into account the following:

- provision of any financial guarantees
- financial standing of the body
- known activities and working activities
- maturity of workforce
- de-risking of liabilities through the bulk annuity policy
- risk management through changes to the investment strategy

This analysis indicates the risk to the Fund's solvency and ability to meet prior liabilities to be within acceptable bounds. It will, however, continue to be monitored.

Funding Strategy Statement 2014

Appendix

Actuarial Valuation as at 31 March 2013

Method and Assumptions Used in Calculating the Funding Target Method

The funding method adopted is known as the attained age method. The attained age method is consistent with the funding objective and is appropriate for the Fund given the fact that it is closed to new members and has an ageing membership profile. The salary increases assumed for each member are projected until the member is assumed to leave active service.

Financial Assumptions

- **Investment Return (Discount Rate)**

A yield based on market returns on UK Government gilt stocks and other instruments which reflects a market consistent discount rate for the profile and duration of the scheme's accrued liabilities, plus an asset out-performance assumption ('AOA') of 2.5% pa for the period pre-retirement and 0.5% pa post-retirement for non-retired members, and also retired members not involved in the buy-in. For retired members involved in the buy-in, the AOA is 0% pa. In relation to the liabilities for Preston Bus Ltd, the AOA is reduced to 2.0% pa and 0.0% pa respectively.

When valuing the buy-in asset, consideration is given the to different shape of the buy-in cashflows and duration when determining the discount rate (with a 0% pa AOA) to apply.

The asset out-performance assumption represents the allowance made, in calculating the funding target, for the long-term additional investment performance on the assets of the Fund relative to the yields available on long-dated gilt stocks as at the valuation date. The allowance for this out-performance is based on the liability profile of the scheme, with a higher assumption in respect of the 'pre-retirement' (ie, active and deferred pensioner) liabilities than for the 'post-retirement' (ie, pensioner) liabilities. This approach, thereby, allows for a gradual shift in the overall growth/matching weighting of the Fund as the liability profile of the membership matures over time. The discount rate, in respect of buy-in pensioner members, reflects the buy-in policy backing these liabilities.

- **Inflation (Consumer Prices Index)**

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the scheme's accrued liabilities, but subject to the following two adjustments.

- An allowance for supply/demand distortions in the bond market is incorporated; and
- Due to retirement pensions being increased annually by the change in the consumer prices index rather than the retail prices index.

The overall reduction to market implied RPI inflation at the valuation date is 1.0% per annum.

- **Salary Increases**

The assumption for salary increases including allowance for promotional increases, will be set as the CPI inflation assumption described, based on supporting evidence provided by WMTL reflecting pay growth expectations of the employer.

- **Pension Increases**

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with CPI (eg, guaranteed minimum pensions in respect of service prior to April 1997).

Full details of the assumptions adopted are set out in the actuary's formal valuation report.

Summary of Key Whole Fund Assumptions Used for Calculating Funding Target and Cost of Future Accrual (the 'Normal Cost') for the 2013 Actuarial Valuation

Long-term gilt yields	
Fixed interest	3.0% pa
Index-linked	-0.6% pa
Adjustment for inflation risk premium and CPI	(1.0%)pa
Implied CPI price inflation	2.6% pa
Financial assumptions - West Midlands Travel Ltd	
Investment return pre-retirement*	5.5% pa
Investment return post-retirement*	3.5% pa
Salary and pension increases	2.6% pa

*5.0% pa and 3.0% pa respectively for Preston Bus Ltd

The discount rate used to assess the value of the buy-in policy was 2.5% at 31 March 2013.

Post-Valuation Changes in Market Conditions/Assumptions Used in Calculating Contributions Payable

In determining the contributions payable under the recovery plan and the cost of future benefit accrual, the actuary will adopt the same assumptions as those used to calculate the funding target, with the exception that adjustments will be made for post-valuation date market changes. In terms of assumptions, the principal change is that the discount rates have increased by 0.6% pa when assessing the value of the funding target and 0.7% pa when assessing the updated value of the buy-in policy.

The actuary will also make advance allowance for these post-valuation date market changes when determining the overall shortfall declared at the valuation date.

Funding Strategy Statement 2014

Principal Demographic Assumptions

In retirement mortality assumptions	Table	Adjustment
Male normal health pensioners	S1PMA CMI 2013 M (1.25%)	111%
Female normal health pensioners	S1PFA CMI 2013 F (1.25%)	103%
Male ill-health pensioners	As for male normal health pensioners + 3 years	
Female ill-health pensioners	As for female normal health pensioners + 3 years	
Male dependants	S1PMA CMI 2013 M (1.25%)	207%
Female dependants	S1DFA CMI 2013 F (1.25%)	126%
Male future dependants	S1PMA CMI 2013 M (1.25%)	113%
Female future dependants	S1DFA CMI 2013 F (1.25%)	106%

*An **age rating** applied to an actuarial table has the effect of assuming that beneficiaries have a life expectancy equal to those older (or younger) than their actual age.

For example, a "+1 year" rating would mean beneficiaries are assumed to have the mortality of someone one year their senior, which has the effect of reducing their life expectancy and, hence, reducing the assessed value of the corresponding liabilities.

A **weighting** applied to an actuarial table has the effect of increasing or reducing the chance of survival at each age, which increases or reduces the corresponding life expectancy.

For example, a '111%' weighting would mean beneficiaries have mortality rates 11% higher than the unadjusted table which reduces the assessed value of the corresponding liabilities.

Commutation – one half of members take maximum lump-sum; others take 3/80ths.

No members are assumed to opt for the 50/50 scheme from 1 April 2014.

Statement of Investment Principles 2013

Statement of Investment Principles 2013

1) Introduction

1.1 The West Midlands Integrated Transport Authority (ITA) Pension Fund has drawn up this Statement of Investment Principles ('the statement') to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998. This statement is available to anyone with an interest in the Fund and the public generally.

1.2 Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Pension Fund Committee established by the ITA (the administering authority) which has open representation from the admitted bodies. The Committee determines the strategic management of the assets based upon the professional advice it receives and the investment objectives as set out in Section 2 opposite. The remaining elements of policy are part of the day-to-day management of the assets which is delegated to the external managers and the director responsible for the West Midlands Pension Fund at the City of Wolverhampton Council and described in Section 3.

1.3 The roles of the members and committee are:

Role of Pensions Committee

1) To discharge the functions of the administering authority for the application of the Local Government Pension Scheme Regulations for the West Midlands ITA.

2) To put in place and monitor the administration of contributions and payments of benefits as required by the regulations, and the proper management and investment of monies held for the purpose of paying benefits.

3) To determine and review the provision of resources made available for the discharge of the function of administrating authority.

Key Duties

a) Pensions Committee

1) Monitor compliance with legislation and best practice.

2) Determine and recommend investment policy:
a) benchmark (medium-term)
b) monitor policy

3) Appoint committee advisers.

b) Investment Strategy Panel

1) Monitor investment management arrangements.

2) Review strategic investment opportunities.

3) Monitor implementation of investment policy.

4) Monitor investment activity and performance of the Fund.

5) Oversee the administration of investment management functions of the Fund.

2) Investment Objectives and Risk

2.1 Investment Objectives

The Authority has set the following objectives:

i) Have resources available to meet the Fund's liabilities for pensions and other benefits provided when they fall due.

ii) Seek returns that are consistent and match those available in the major investment markets and are comparable with other institutional investors.

iii) Emphasise markets that over time are likely to give better returns having regard to the risks relative to the maturity of the Fund's liabilities.

iv) Acknowledge the risk of investing and have regard to best practice in managing that risk.

2.2 Risk

There are various risks to which any pension scheme is exposed. The Authority has considered the following risks and believes that they do not exceed an acceptable level:

i) The risk of a deterioration in the funding level of the Fund due to investment markets not responding as forecast. The diversification of the investments balances this risk against the objective of seeking the better performing markets in which there is relatively good liquidity.

ii) The risk that the investment managers, in their day-to-day management of the assets, will not achieve the rate of investment return expected by the Authority. The Authority recognises that the use of active investment managers involves such a risk and does not use active equity managers. To limit their exposure to the risk of significantly underperforming, the Authority invests the Fund's investments in highly diversified core holdings, a mixture of equities, bonds and diversified growth funds producing a high level of probability of achieving near market rates of return at a relatively low cost. The Fund is also invested in actively managed non-government fixed interest arrangements.

iii) Any investment decision carries with it risks of different types (for example risk of underperformance, risk from mismatching, risk from underfunding etc). The Authority recognises these different types of risk and seeks to minimise them as far as possible by regular monitoring of the performance of the fund managers, seeking advice from the actuary on the suitability of the assets with regard to the Fund's liabilities, regularly receiving advice from a range of professional advisors and ensuring that the Fund's portfolio is suitably diversified.

iv) During 2012, the Fund arranged an insurance 'buy-in' of part of the current liabilities for pensions in payment to more effectively manage the investment, interest and longevity risks.

Statement of Investment Principles 2013

2.3 Investment Strategy

The Authority sets a long term investment strategy (the mix of asset types) to have regard to the Fund's liability structure and the investment objectives set out above. This is reviewed at least every three years, after each actuarial valuation. The Authority believed that the investment strategy needed further action to lower the risks for employers, and sought to move to an insurance 'buy-in' of part of the liabilities for pensions in payment, this being implemented in 2012. It will not make tactical asset allocation decisions unless market movements or related issues suggest otherwise.

3) Day-to-Day Management of the Assets

3.1 Main Assets

The Authority invests the main assets of the Fund in portfolios operated by three external investment managers. The Authority is satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities within each type provides adequate diversification of investments.

Asset Class		Manager
Equities Global Emerging markets	Passive	Legal and General
Fixed interest UK gilts and index-linked	Passive	Legal and General
Non-government bonds	Active	Legal and General
Diversified growth funds		Barings Baillie Gifford
Cash		

3.1.1 Investment Performance Benchmark

The balance of the Fund, following the buy-in, has benchmarks as set out below, with risk bands applied either side of the benchmarks that, if breached, will trigger rebalancing.

Post-Buy-In Strategy

Asset Class	%
Global equities	34.0
Emerging market equities	6.0
Total equities	**40.0**
Diversified growth funds	**40.0**
Index-linked	10.0
Corporate bonds	10.0
Total bonds	**20.0**
	100.0

Non-Buy-In Strategy

Asset Class	%
Global equities	42.5
Emerging market equities	2.5
Total equities	**45.0**
Index-linked	15.0
Gilts	20.0
Corporate bonds	20.0
Total bonds	**55.0**
	100.0

3.1.2 Expected Return on the Investments

Over the long-term, it is expected that the investment returns will be at least in line with the assumptions underlying the 2010 actuarial valuation, identified as up to a maximum of 6.75% pa over the recovery period. The individual portfolios should match or exceed the specific market benchmarks set for each portfolio over time. The target beta is 4.4% with an additional alpha target of 1.8%, for the post-buy-in strategy and 4.6% beta with 0.1% additional alpha for the non-buy-in strategy.

3.1.3 Investment Restrictions

The investment managers are prohibited from holding investments not defined as 'investments' in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.

3.2 Additional Assets

Assets in respect of members' additional voluntary contributions are held separately from the main Fund assets. These assets are held with Equitable Life and the Prudential Assurance Company Limited. Members have the option to invest in with-profits funds, unit-linked funds and deposit funds. The Authority monitors from time to time the suitability and performance of these vehicles. No new business is being placed with Equitable Life.

3.3 Realisation of Investments

In general, the Fund's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The Fund is mature in terms of benefit liabilities and has a strong cash outflow on a regular basis. However, following implementation of the insurance buy-in, there is no set policy on realising investments to meet benefits outgoings as the Fund is currently cashflow-positive, rather, the position is regularly reviewed by the Investment Strategy Panel.

3.4. Monitoring the Investment Manager

The performance of the internally managed assets and of the external investment managers is independently measured. In addition, officers of the Fund meet the investment managers regularly to review their management of the portfolio together with the reasons for the background behind the investment performance. The Investment Strategy Panel meets at least quarterly to review markets and managers.

Statement of Investment Principles 2013

3.5 Advisers

The Fund uses a range of advisors in addition to its own specialist officers as follows:

Mercer	Actuarial matters, selection of investment managers, policy and investment matters relative to liabilities
City of Wolverhampton Council Officers of the West Midlands Pension Fund	General investment advice, management of cashflows, and pension administration

Fees paid to advisors are agreed on an individual basis for a fixed sum or scale reviewed annually or as work is commissioned.

4) Corporate Governance and Socially Responsible Investment (SRI)

i) The Authority recognises its responsibility as an institutional investor to support and encourage good corporate governance practices in the companies in which it invests. The Authority considers that good corporate governance can contribute to business prosperity by encouraging accountability between boards, shareholders and other stakeholders. Good corporate governance also plays a major role in encouraging corporate responsibility to shareholders, employees and wider society.

ii) The Fund supports good corporate governance in the companies in which it invests and the challenging of companies who do not meet the standards or reasonable expectations set by their peers.

iii) Socially responsible investment is taken as giving consideration to issues that give risk to social concerns – for example, employment practices, human rights, use of natural resources, environmental issues and external business standards. This links to, and covers, the issues around sustainability that have a rapidly growing significance for companies from a legislative, reputational and practical operational standpoint.

iv) Lack of good governance interferes with a company's ability to function effectively and is a threat to the Fund's financial interest in that company.

v) The Fund is also a member of the Local Authority Pension Fund Forum. This Forum exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibilityand high standards of corporate governance among the companies in which they invest.

5) Compliance with this Statement

The Authority will monitor compliance with this statement. In particular it will obtain confirmation from the investment managers that they exercised their powers of investment with a view to giving effect to the principles contained in the statement so far as is reasonably practicable. The Authority undertakes to advise the investment managers promptly and in writing of any material change to this statement.

6) Compliance with Myners

Following from the Myners' Report into Institutional Investment in the UK, the Government, after consultation, indicated it would take forward all of the report recommendations and identified ten investment principles to apply to pension schemes.

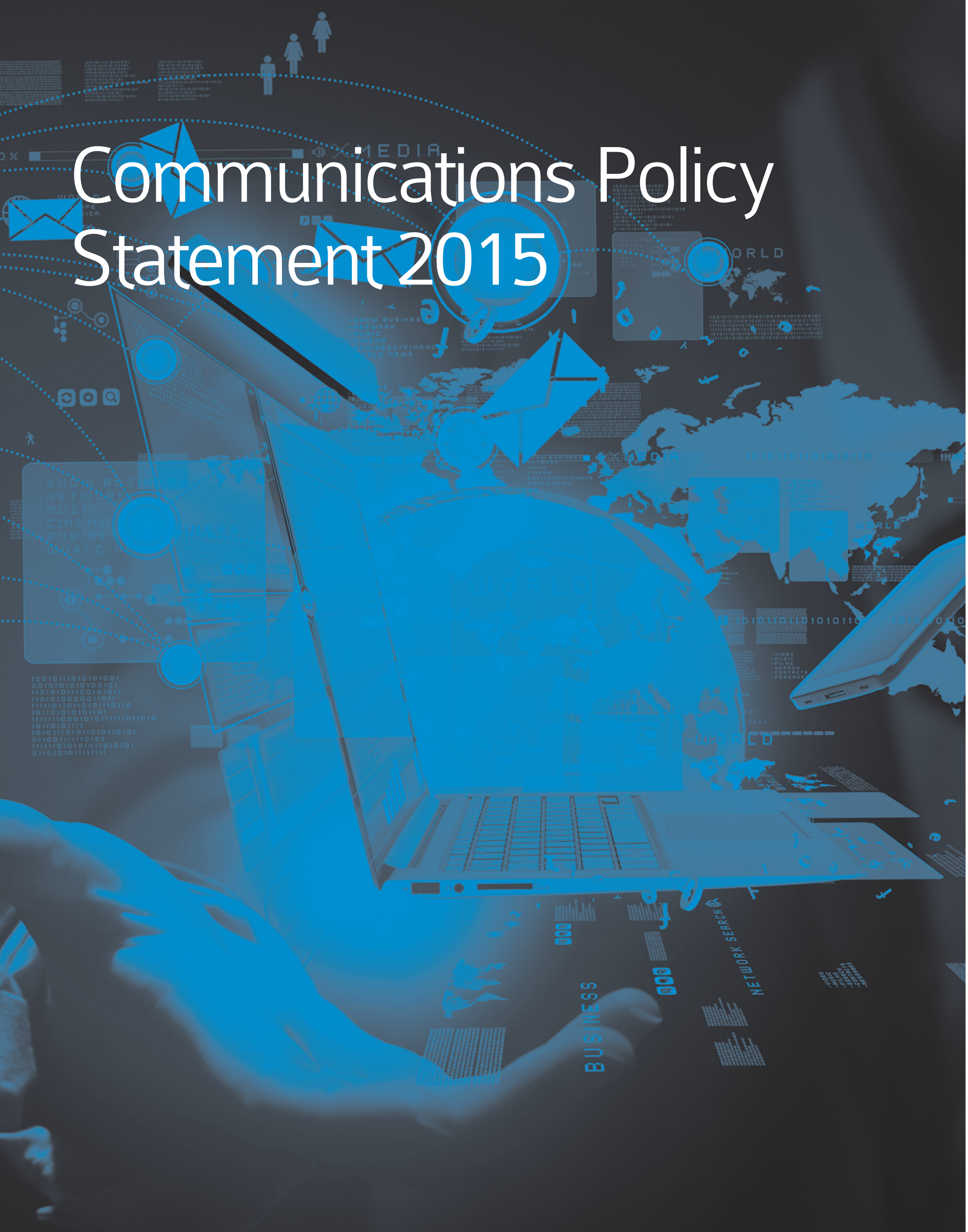
These principles cover the arrangements for effective investment management decision-making, setting and monitoring clear investment objectives, focus on asset allocation, arrangements to receive appropriate expert advice, explicit manager mandates, shareholder activism, use of appropriate investment benchmarks, measurement of performance, transparency in investment management arrangements and regular reporting.

The Myners' principles have since been updated and consolidated into six. The Fund supports the principles and complies with the principles. Full details of compliance are set out in the Fund's Myners' Compliance Statement which can be found on the Fund's website.

7) Review of this Statement

The Authority will review this statement in response to any material changes to any aspects of the Fund, its liabilities, finances and its attitude to risk which they judge to have a bearing on the stated investment policy. This review will occur no less frequently than every three years to coincide with the actuarial valuation.

Communications Policy Statement 2015



Communications Policy Statement 2015

Communications Report

During 2014/2015, the Fund continued to look for ways to improve how we communicate with our stakeholders and, in doing so, recognised the shift towards electronic ways of working.

Since April 2006, each pension fund administering authority has had to prepare, publish and regularly review a communications policy statement.

This document outlines the Fund's communications policy in line with that requirement and covers the following categories in our regular communication activity:

- Communicating with scheme members;
- Member self-service (the web portal);
- Communicating with members' representatives;
- Communicating with prospective members;
- Communicating with employing authorities;
- Detailing our customer engagement strategy.

The primary communication activity of the past twelve months was to continue to educate and inform members of the changes to the Local Government Pension Scheme (LGPS) effective as at 1 April 2014. As with all Fund communication, this was completed in a multi-media approach, including educational material in benefit statements, bespoke mailings, tailored briefing notes, as well as face-to-face surgeries, roadshows and presentations.

One of the biggest communication projects of the financial year was the redesign and upgrade of the Fund's website, wmpfonline.com. This project was tackled with the recent scheme changes in mind. In this electronic age, we understood that our redesigned website would be the first point of contact for our members curious about the scheme changes.

In delivering this change, we recognised that engagement with our customers would be key to our success, and our ability to understand their use of the website meant we were able to shape the design around their needs. We created and analysed customer service surveys and contacted members who had given feedback on our website in the past to invite them to give opinions on our new design. We set up similar groups with our staff, trustees and employers to ensure all of our stakeholders had helped to shape the design of the new site.

The efficiency savings we sought with the new design for wmpfonline.com were not just for the Fund. In our conversations with members and employers, we recognised that they wanted to spend less time looking for information, so the design reflected this with at least three routes to find pages quickly from the initial landing page.

We believe results speak for themselves: usage of the website has increased since the redesign. The Fund's website received 91,865 visits in the period 1 April 2014 to 31 March 2015, which is an increase from 87,804 for the financial year 2013/2014. Perhaps more telling is that users are reporting a more positive experience using the site. Prior to the launch of the website, 59% of our customers rated our website as being good or excellent; following launch, this has increased to almost 75% of members as more people use the site.

Getting users comfortable in self-serving for pensions information with the website has developed our members' confidence in web platforms and assisted in driving registration for the Fund's online portal which is used by members and employers to securely access individual pension records. The increased marketing for the web portal in the financial year saw web portal registrations increase by over 145% when compared to 2013/14.

Antony Lowbridge-Ellis
Communications Officer,
West Midlands Pension Fund
Date: May 2015

Communications Policy Statement 2015

Background
The West Midlands Integrated Transport Authority is responsible for the West Midlands Integrated Transport Authority Pension Fund, but has appointed City of Wolverhampton Council as agents to administer the Fund on its behalf.

To maintain a high level of customer service success, it is vital for the Fund to understand the needs of our customers as well as their views on the services and products that we provide. This will assist in maintaining the high level of industry reputation that the Fund holds. The Fund achieves this understanding by ensuring regular dialogue with our stakeholders is established and maintained as part of day-to-day business.

In April 2006, the Local Government Pension Scheme (LGPS) regulations were amended to state that each pension fund administering authority is required to prepare, publish and review regularly its communications policy statement.

This document outlines the Fund's communications policy in line with that requirement and covers the following categories in our regular communication activity:

1) Communicating with scheme members;

2) Member self-service (the web portal);

3) Communicating with members' representatives;

4) Communicating with prospective members;

5) Communicating with employing authorities;

6) Customer engagement strategy.

1) Communicating With Scheme Members

Annual Benefit Statement
An annual benefit statement is made available online for all active and deferred members who are contributing to the Fund or have not received payment of their deferred benefits at the previous financial year. These statements are made available through the Fund's web portal self-service facility. Benefit statements can be issued in paper form on written request.

If there is an instance where a benefit statement cannot be made available, due to incomplete or inaccurate data, we will notify members of this by letter.

wmpfonline.com
The Fund maintains an extensive online resource at wmpfonline.com. containing information about the scheme and the details about the current activities of the Fund. There are also links to other relevant partner organisations.

Scheme Literature
An extensive range of scheme literature is produced and updated by the Fund for all categories of member. Copies of scheme literature are made available at the Fund's website, wmpfonline.com.

Twitter Account
The West Midlands Pension Fund has a twitter account (@wmpfonline) where we provide short information updates.

Telephone Helpline: 0300 111 1665
A dedicated low-call rate telephone customer service telephone line is provided for scheme members and is publicised in all outgoing communications.

Pension Roadshows
The Fund stages information events in members' places of work. In addition to these roadshows at district council offices, additional events are can be held on request, particularly when there may be organisational changes occurring which have pensions implications.

Pensioner Pay Advice Slip and *Club Together*
All Fund members in receipt of a pension receive a combined pay advice slip and P60 in April of each year. In the months of May through to March, we will only send a pay advice slip when there is a variance of £10 in their gross or net payment. For scheme pensioners that are paid quarterly and annually, the Fund will issue a pay advice every time a payment is made (June, September, December and March).

Scheme pensioners can also register to use the Fund's web portal application where pay advice information can be viewed electronically and printed at any time following the payment date.

Mailed with the April combined pay advice slip / P60 is a lifestyle newsletter called *Club Together*. *Club Together* is provided by Paymaster (1836) Limited on behalf of the Fund.

2) Member Self-Service (the Web Portal)

An online portal gives members secure access to their Local Government Pension Scheme (LGPS) records.

The facility provides members with the opportunity to update with their personal details, ask questions about their benefits, view annual benefit statements and run pension estimate calculations. Members in receipt of pension are also able to view and change UK bank details via the portal.

3) Communicating with Members' Representatives

Materials available to members are also available on request to their representatives or through wmpfonline.com.

4) Communicating with Prospective Members

Scheme Booklet and Website
Upon appointment with their employer, all prospective scheme members will be provided with a link to the Fund's website where they can access scheme booklets. The website also provides information in order that members are able to make an informed decision about contributing to the Local Government Pension Scheme (LGPS) and how to opt-out of the scheme.

Corporate Induction Courses
Fund officers will attend corporate induction events in order to present to prospective scheme members the benefits of joining the LGPS.

Trade Unions
We work with the relevant trade unions to ensure the scheme is understood by all interested parties. Training days for branch officers can be provided upon request, and efforts will be made to ensure that all pension-related issues are communicated effectively with the trade unions.

Communications Policy Statement 2015

5) Communicating with scheme employers

eNewsletter
An electronic newsletter, entitled *Employer's Briefing Note* is issued on a bi-monthly basis to all employers. This is used to communicate the activities of the Fund and inform of any regulatory changes which may impact on the employer's function or their members' pension benefits.

wmpfonline.com and Web Portal
The Fund maintains a dedicated area of its website for scheme employers containing news, learning materials and other electronic resources.

Each employer can request to join the Fund's web portal. This allows them secure access to the membership details of their current employees. The portal provides employers with the ability to make changes to member records including working hours and personal details. The web portal also provides the facility to calculate early retirement estimates and any associated early retirement costs.

Dedicated Telephone Helpline: 0300 111 6516
A dedicated low-call rate employer customer service line was introduced during in 2010. This allows the Fund to respond to employer generated telephone calls at peak times.

Annual General Meeting and Mid-Year Review for Employers
The Fund invites each employer to our annual general meeting each winter. This event is used to communicate strategic issues, performance, legislation changes and triennial valuation matters. In addition to this, the Fund also holds a similar employer event each summer where employers are kept up to date with important issues through presentations and roundtable discussions.

Employer Peer Group
A group consisting of a cross-section of Fund employers meet quarterly to provide feedback on the communication initiatives planned by the Fund for fellow employers.

6) Customer Engagement Strategy

In addition to this document, the Fund also publishes a *Customer Engagement Strategy*.

The document aims to detail:

- who are our customers?
- what is customer engagement to the Fund?
- when should customer engagement be considered?
- what types of engagement activities do we undertake?
- how do we use the outputs from customer engagement activities?
- how do we feed back to our customers results and actions from their engagement with us?

The document provides some principles for customer engagement for the Fund and as we aim to tailor our strategy to individual customers the document should be viewed as a guide and not as an exhaustive list of engagement activities.

Our *Customer Engagement Strategy* is updated annually and is available from wmpfonline.com.

Further Information

The Compliance Statement

1) Tax Status of the Scheme
The scheme is a registered scheme and, to the trustee's knowledge, there is no reason why such registration should be prejudiced or withdrawn.

2) Pension Increases
There was a 1.2% increase in pensions during the year in line with legislative requirements and no further discretionary increases were applied.

3) Calculation of Transfers
Transfer values quoted and subsequently paid by the Fund includes monetary amounts where relevant, to represent any discretionary benefits awarded by an employer or otherwise.

Where awarded, discretionary benefits are in the form of service which is included within the total service used to calculate a cash equivalent transfer value which represent the monetary value of the members pension rights.